



# Economic Development Action Plan

*Prepared by*

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# North Coast Land Resource Management Plan <sup>3</sup>

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### Executive Summary

The North Coast Plan area is bounded by the Pacific Ocean on the west and the Coast Mountains to the east. The total size of the plan area is 1,756,223 ha. This includes 1,690,887 ha of the North Coast Timber Supply Area (TSA) and 65,336 ha of TFL 25. Eight communities exist in the area, from 45 individuals at Oona River, to almost 15,000 individuals in Prince Rupert.

For all of its beauty, resources and history, the area has been faced with a number of challenges over the past decade:

- *Closing of the Skeena Cellulose Inc. pulp mill in 2001*
- *Closing of Northwest Timber in 2001*
- *Lack of mining activity due to past governments heavy regulations*
- *Shrinking commercial fishing industry due to depleting ocean stocks*
- *Treaty claims not yet settled*
- *U.S. – Canada Softwood Lumber dispute*
- *High costs of logging due to stumpage rates and geography*
- *Reduced traffic (rail, trucks, air) on the Northwest Corridor*

The communities in the area have risen to the challenge and embraced the need for change and diversification. Some of the efforts towards stimulating the economy include:

- *Development of a viable tourism sector*
- *Construction of a cruise ship terminal*
- *Continued push for the development of a container facility*
- *Interest in offshore oil and gas*
- *Order-in-council 35% log export allowance*
- *Continued development of a strong cultural centre in Prince Rupert*
- *Increased interest and involvement of First Nations in all sectors*
- *Increased interest and development of the aquaculture industry*

**Ultimately, the future for the North Coast LRMP area will rely on well-planned economic development, which is grounded in realistic and achievable goals. This Report aims to provide a snapshot of the region economically and works to deliver:**

1. An assessment of the LRMP area, its communities, and economic dependencies.
2. An economic action plan that will help guide efforts as a result of the LRMP process.
3. Opportunities that may stimulate traffic all the way down the Northwest Corridor.
4. Opportunities to capitalize on the wealth of natural resources and to take advantage of Prince Rupert's location as the closest port to Asia to enhance sectors of forestry, mining,



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tourism and recreation, botanical forest products, seafood, and land infrastructure/development.

5. Funding avenues that might logically be pursued, as well as industry contacts and resources.

### *A Snapshot of the Current Economy*

The North Coast is striving to achieve a future based in growth, diversification and economic strength.

With over 80% of the population of the plan area residing in Prince Rupert, this city is the world's second deepest, natural ice-free harbour, handling hundreds of freighters per year that carry lumber, pulp, wood pellets, steel, grain, coal, and various other products. The city is the terminus for B.C. Ferries travelling to Port Hardy and the Queen Charlotte Islands/Haida Gwaii, and a stopover for ferries on the Alaska Marine Highway travelling north.

Prince Rupert is the port of call for a number of cruise ships travelling to and from Alaska.

The city is also the western terminus of the CN Rail Northern Trans-Continental Line. The rail line links with shipping and ferries, and transports passengers and regional commodities.

### *Key Opportunities*

**Two key opportunities are outstanding: the development of a Cruise Ship Dock, and the development of a Container Facility. Almost every other opportunity within each sector will benefit from one or both of these developments.**

Currently the **Cruise Ship Dock** is in an early stage of construction and is set to be completed and to receive its first large cruise ship in the summer of 2004. All stakeholders are making concerted efforts: the City, the Port, First Nations and the community at large, to prepare to receive the first influx of passengers. It is paramount that the city is well prepared for this first visit so that the experience by the tourists is remembered in a positive light and it will pave the way for an increase in tourism traffic. The number of spin-off opportunities that can be realized by this development, especially in the tourism sector, are unlimited. The essential ingredient is building capacity and developing appropriate services.

The **Container Facility** has been a project supported by the Northwest Corridor Development Corporation since 1998, and many of the communities and businesses along Highway 16. Currently a business case is being developed for this project. The objective of this study is to formalize the program necessary to proceed with the development at the Port of Prince Rupert. Building on past work on the container project, this initiative will formulate and assemble the



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necessary information to prepare a prospectus for use in attracting a container terminal operator to partner in the development.

Almost every sector highlighted in this Report has the potential to benefit from containerised shipping. Value-added forestry products, botanical forest products, seafood and aquaculture, mining and even agriculture found further inland will be opened up to markets that currently evade them due to land transportation distances and their affordability in the north. The northwest corridor, which actually originates in Manitoba branching from a north south linkage from the States, is extremely under utilized. Estimates put its current use at less than 10% of its capability.

As bulk shipping continues to decline and containerised shipping continues to grow exponentially, the north is experiencing a loss in transportation revenues and economic stimulus as traffic is diverted to where containers can be handled, namely Vancouver. Port Container traffic at the Port of Vancouver increased 27 per cent last year to nearly 1.5 million TEUs (twenty-foot-equivalent units). By 2020, it is forecasted that container volumes will continue to grow to more than four million TEUs annually, while creating more than 50,000 new jobs.<sup>1</sup>

However, Vancouver, being the only Western Canadian container facility, is experiencing bottleneck problems. The creation of a container facility in Prince Rupert is a conservative \$50 to \$100 million investment. Given the under utilization of the corridor, the existence of well established road, rail and air transportation, the presence of an eager and skilled workforce, the viability and established need for this initiative seems high.

In turn, all the communities along Highway 16 would benefit as transportation traffic and the related services would increase, and shipping distances to viable markets would decrease. Given the recent downturn of the economy in the north due to government layoffs, political battles and poor markets, developments that would serve to stimulate the economy of the entire area, make good sense.

That having been said, this Report examines opportunities across a broad number of resource and value – added economic sectors.

### **First Nations**

- Tsimshian are the largest First Nation group present in the North Coast area
- Haida are mostly located in the Queen Charlottes
- Nisga'a are to the north and east, with some territory in the LRMP
- Haisla are based out of Kitimat

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<sup>1</sup> <http://www.newswire.ca/releases/January2003/21/c1925.html> - Port Vancouver posts record container volumes in 2002, future growth contingent on port expansion



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Settlement of treaties for the Tsimshian groups (Metlakatla, Kitkatla, Lax Kw'alaams, and Gitga'at) may well provide the certainty of access to resources for many sectors.

It is clear that continued efforts to have joint ventures and partnerships between non-First Nations and First Nation groups would aid in providing the necessary foundation to sound business development. Building capacity within the First Nations so that they can participate fully in all economic sectors is paramount.

- Currently, the Tsimshian Tribal Council and its Member Bands, have been involved in the Cruise Ship development and other tourism opportunities.
- Forestry, fishing and mining continue to be sectors of involvement for all First Nation groups and their knowledge of botanical forest products provides a valuable foundation from which to develop this industry.
- First Nation economic development is supported by provincial and local governments and a myriad of funding opportunities exist to help realize opportunities.

### **Brief Overview of Opportunities Identified**

The following represents the opportunities identified in order as they appear in the Report. **Each of these options are dealt with in depth later in the document.**

**The opportunities in order of appearance, by sector, are:**

1. *Forestry*
  - a. *Kiln and Planer Mill*
  - b. *Log Sort*
  - c. *Cedar Shake and Shingle Mill*
2. *Mining*
  - a. *Mining Exploration and Development*
  - b. *Magnesium Metal Processing*
  - c. *Offshore Oil and Gas*
3. *Tourism and Recreation*
  - a. *Ocean Kayaking and Hut-to-Hut*
  - b. *Wildlife and Nature Viewing*
  - c. *Culture and Heritage*
4. *Botanical Forest Products*
  - a. *Mushrooms*
  - b. *Floral Greenery*
  - c. *Medicinal and Nutraceuticals*
5. *Seafood*
  - a. *Shellfish Aquaculture*



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- b. Finfish Aquaculture*
    - c. Value-Added Seafood Processing*
  - 6. Land Development/Infrastructure*
    - a. Tidewater Industrial Park*
    - b. Digby/Tsimshian Access Project*

### **Rating and Ranking the Opportunities**

The opportunities listed above have been taken from Prince Rupert Economic Development Commission's technical work. Ranking of these opportunities was done during the process of that development. Synergy Management Group was not involved in the ranking of the opportunities. The ranking has been retained, and most opportunities have been more thoroughly investigated through additional market research and the extensive knowledge base and experience of Synergy. More thorough feasibility studies would be valuable for many of the opportunities, as in depth feasibility / strategic planning / business plans were not carried out.

Ranking criteria was developed by the LRMP table's Socio-Economic Working Group and used by the Prince Rupert Economic Development Commission in the ranking process. More detailed information on this process is provided within the Report.

### **Forestry**

Forestry remains a significant economic vehicle in the North. The opportunities listed, although possibly not currently supported by a viable market, are still realistic given the dynamic nature of the industry. Recent announcements by NAFTA and the WTO, supporting Canada in its position on the softwood lumber dispute with the United States, will hopefully result in removing that barrier to the development of forestry related businesses. Development of the container facility will aid in reaching markets that are currently too far away for value-added businesses. Finally, the reestablishment of a major mill in the area will help to make fibre available to smaller value-added operations.

### **Mining**

With the new government policies, focus and regulatory changes, the mining industry sector is again looking more positive. Prince Rupert could serve as a significant staging area for the spin-off services resulting from mining developments. Industrial land is available for processing facilities and rail, road, air and sea transportation capability supports the movement of product.

### **Tourism and Recreation**

Tourism and recreation continue to be the viable options for the diversification of the economy in the North. This is a very large sector including components such as accommodation, food,



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retail, and a myriad of services related to vacationing and living. The North Coast, with its rivers, mountains and wildlife, is one of the few remaining wilderness ecotourism bastions.

### ***Botanical Forest Products***

Interest world-wide in botanical forest products such as foods, art and craft materials, medicinal and nutraceuticals, is increasing. Although this sector is still highly unregulated and difficult to accurately quantify, it is a strong sector that can provide a reasonable return in economic benefits.

### ***Seafood***

The aquaculture industry is still very young in Canada but much effort is being directed towards research and development. Both shellfish and finfish aquaculture have a commercial future. The global demand for product cannot be met by wild stocks. However, First Nation involvement in this sector is paramount and partnerships are highly recommended.

### ***Land Infrastructure/Development***

A number of infrastructure developments, such as the container facility and cruise ship dock, will result in spin-off economies to all sectors.

- Additional industrial land is necessary if processing facilities are going to be developed.
- Links to some of the islands and more remote communities is also necessary to increase the flow of products and services.

### ***Where to Go From Here? Managing Growth***

Support and cooperation from all stakeholders: government, First Nations, private sector and non-profit: is paramount.

Access to Crown Land and resources that are certain, environmentally sustainable and supportive of regional stakeholders is a necessary ingredient to investment. The government must continue to support economic development through a sound and realistic approach. There is growing recognition that rural economic development and investment in BC is constrained by these issues that need to be addressed:

- Land use uncertainty;
- First Nations land use claims and uncertainties of tenure and harvesting rights;
- Fractured delivery of services and functions that affect economic development;
- Regulatory and policy barriers;



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**The North in general, has a long history of reliance on primary resources. Through the LRMP and economic development process, the time has come to diversify the economy and remove the cyclical nature of primary resource extraction. The knowledge base exists and the infrastructure is in place. Strong regional and community leaders and champions will, undoubtedly, spearhead the process.**

**A Strategic Economic Development Plan is intended to act as a roadmap for anticipated strategic growth.**



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### 1.0 Overview

#### 1.1 Regional Profile

The North Coast LRMP area is bounded by the Pacific Ocean to the west and the Coast Mountains in the east. The Skeena River bisects the mainland, while ocean straits, channels and inlets cut through the landscape and separate the mainland from numerous islands. Small to mid-sized lakes dot the coastal lowland and numerous streams and small rivers originate in the mountains to the east.<sup>2</sup> The LRMP approximates the boundaries of the North Coast Forest District, with the following exceptions:



North Coast LRMP Plan Area

<sup>2</sup> Tamblyn, Greg and Hannah Horn. *Current Conditions Report: North Coast Land and Resource Management Plan*. March 2001.



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- 135,691 ha of Princess Royal Island and the southern mainland, including parts of Tree Farm Licence (TFL) 25, are being addressed in the Central Coast Land and Coastal Resource Management Plan (CCLCRMP).
- The Nisga'a Lands, comprising 58,068 ha in the north of the plan area, have been excluded from the LRMP.
- Some of the Skeena Islands are being addressed in the Kalum LRMP.

In total the North Coast LRMP area covers some 1.69 million hectares. The population of the Plan Area in 2001 was 16,708 persons (Statistics Canada)<sup>3</sup>. In 2002, it was reported in local newspapers (Terrace Standard), that the population in the Skeena region had declined by 12% over the past 5 years. The economic impacts of this fact need to be considered.

### *Prince Rupert*

Over 85% of the population living in the plan area live in Prince Rupert. Prince Rupert is the world's second deepest, natural ice-free harbour, handling hundreds of freighters per year that carry lumber, pulp, wood pellets, steel, grain, coal, and various other products.

With a population of 15,376 (*BC Stats*, 2002), Prince Rupert is the largest population centre in the plan area and the largest city in northwestern BC. It was incorporated on March 10, 1910.

Located on Kaien Island, near the mouth of the Skeena River, Prince Rupert is only 65 kilometres south of the Alaskan panhandle, 1,520 kilometres north of Vancouver and 728 kilometres west of the city of Prince George.



The city is the terminus for B.C. Ferries travelling to Port Hardy and the Queen Charlotte Islands/Haida Gwaii and a stopover for ferries on the Alaska Marine Highway travelling north. Prince Rupert is also the port of call for a number of cruise ships travelling to and from Alaska. The building of a full size cruise ship dock in Prince Rupert is now well under way. This will allow the city to handle full sized cruise ships directly into the city. Fishing and pleasure boats are also abundant.

Proximity to the Pacific Rim and Asian markets makes the city a desirable shipping location. There are four shipping facilities, the largest being Fairview Terminal, owned by the Port of Prince Rupert. The Prince Rupert Port Authority is moving ahead in its development of a

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<sup>3</sup> Robinson Consulting and Associates, *Base Case Socio-Economic Report*, September 2002



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containerisation facility, with the first step of a business case study, which will result in increased traffic moving through the northwest corridor stimulating the economy. The city is the western terminus of the CN Rail Northern Trans-Continental Line. The rail line links with shipping and ferries as and transports passengers and local commodities.

Major occupations in the area include the public service or trade professions (e.g., construction, and manufacturing). Forestry and fishing, although flailing in the last five years, still continue to employ a significant number of individuals. With the shut down of the Skeena Cellulose pulp mill and North Coast Timber since 2001, the forest industry has suffered a significant blow. Spin off services related to those industries have also been affected.

Other communities in or just bordering the North Coast plan area include:

- Port Edward (also incorporated)
- Lax Kw'alaams (Port Simpson)
- Kitkatla
- Hartley Bay
- Metlakatla
- Alice Arm (small settlement)
- Kitsault (an abandoned town)
- Oona River (pop. ~ 45)
- Gingolx (Kincolith) (bordering), and
- Laxgalts'ap (Greenville) (bordering).

### ***Port Edward***

The District of Port Edward is the second largest community in the plan area and is located 15 kilometres south of Prince Rupert. The town site lies along Inverness Passage and is linked by road to Highway 16. The population of the town was 659 in 2001 (BC Stats).

The District covers a large area (18,387 ha) of predominantly undeveloped forested land and includes an ecological reserve, two provincial parks (Prudhomme Lake Park and Diana Lake Park) and a major historical site at North Pacific Cannery.<sup>4</sup>

Fishing charters and the North Pacific Cannery Village Museum provide local employment in



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<sup>4</sup> Tamblyn, Greg and Hannah, Horn. *Current Conditions Report: North Coast Land and Resource Management Plan*. March 2001.



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Port Edward however over 58% of that population commute to Prince Rupert for work.

### Economic Statistics of the North Coast LRMP Area

#### *Communities in the North Coast: population trends since the 1980's*

Year	Prince Rupert	Port Edward	Metlakatla	Lax Kw'alaams	Kitkatla	Hartley Bay
1981	16,652	1018	-	-	-	-
1986	16,318	731	344	553	421	214
1991	17,098	761	344	553	421	214
1996	17,432	732	140	879	451	155
2001	15,376	694	-	785	-	162
Change in pop. '81-'01	-7.7%	-31.8%	-	-	-	-
Change in pop. '96-'01	-11.8%	-5.2%		-10.7%		4.5%
Change in pop. '86-'96	6.8%	0%	-59.3%	59%	7.1%	-27.6%
Change in pop. '86-'01	-5.8%	-5.1%	-	42%	-	24.3%

Source: BC Stats

#### *Age Distribution*

Age Distribution							
Age and Gender 2001 – 2001 Census							
	Prince Rupert		Port Edward		% Distribution		
	Male	Female	Male	Female	Prince Rupert	Port Edward	B.C.
All Ages	7,415	7,225	360	300	100.0	100.0	100.0
0 – 14	1,765	1,660	85	75	23.3	24.2	18.1
15 – 24	990	1,005	40	30	13.6	9.8	13.2
25 – 44	2,215	2,265	105	95	30.6	31.1	30.1
45 – 64	1,900	1,635	105	75	24.2	26.5	25.1
65+	550	650	30	25	8.2	7.6	13.6

Source: Statistics Canada

#### *Experienced Labour Force by Industry*

	Prince Rupert and Port Edward		Pr. Rup. & Pt. Ed.	BC
	1991	1996	% Distribution 1996	
Total Industries	9,960	9,290	100.0	100.0
Primary Industry	575	725	7.8	5.7
Agriculture & related	20	55	0.6	2.4
Fishing & Trapping	400	500	5.4	0.5
Logging & Forestry	145	170	1.8	2.1
Mining, Quarry & Oil Well	10	0	0	0.8
Manufacturing Industry	2,520	2,105	22.7	10.4



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	Prince Rupert and Port Edward		Pr. Rup. & Pt. Ed.	BC
	1991	1996	% Distribution 1996	
Construction Industry	560	330	3.6	7.5
Transportation & Commun	1,090	935	10.1	7.5
Wholesale Trade	235	245	2.6	4.8
Retail Trade	1,210	1,095	11.8	12.5
Finance, Insur. & Real Estate	290	325	3.5	5.8
Business Service	270	220	2.4	6.8
Government Service	850	740	8.0	5.9
Education Service	455	480	5.2	6.9
Health & Social Service	665	755	8.1	9.5
Accom., Food & Beverage	635	740	8.0	8.4

Source: Statistics Canada

### Labour Force Statistics for the Northcoast Development Region

		Pop. 15 years and over	Labour Force			Not in Labour Force	Unemp Rate	Part. Rate	Emp. Rate
			Total	Emp.	Unemp				
North Coast and Nechako	1995	74.5	53.4	49.1	4.4	21.0	8.2	71.7	65.9
	1996	75.9	56.1	51.9	4.2	19.8	7.5	73.9	68.4
	1997	76.6	57.0	51.8	5.2	19.6	9.1	74.4	67.6
	1998	76.0	52.4	47.4	5.0	23.6	9.5	68.9	62.4
	1999	75.1	51.2	46.7	4.5	23.9	8.8	68.2	62.2
	2000	74.6	52.9	47.5	5.4	21.6	10.2	70.9	63.7
	2001	74.3	53.2	47.4	5.8	21.1	10.9	71.6	63.8
	2002	74.3	53.0	46.3	6.7	21.3	12.6	71.3	62.3

Source: BC Stats, 2003

Dependency on the Safety Net						
Percentage of Population by Age Receiving Benefits – September 2002						
Age Group	BC Basic* Income Assistance Recipients (%)		Employment Insurance Beneficiaries (%)		Total of BC Basic Income Assistance & EI Beneficiaries	
	Pr. Rup.	BC	Pr. Rup.	BC	Pr. Rup.	BC
Under 19	10.4	5.6				
19 – 24	14.0	3.7	3.6	2.5	17.6	6.2
25 – 54	6.3	3.2	5.7	3.4	12.0	6.6
55 – 64	3.6	2.2	4.3	1.5	7.8	3.7
19 - 64	6.8	3.1	5.3	3.0	12.0	6.1

\* Includes those receiving temporary assistance only. Excludes aboriginal people living on reserve, seniors/OAS, and children living with a relative.

Source: BC Stats. Prepared using administrative files from the BC Ministry of Human Resources and HRDC



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Business Formations and Failures							
Incorporations			Bankruptcies				
Year	Number		Year	Prince Rupert		B.C.	
	Prince Rupert	B.C.		Business	Consumer	Business	Consumer
1998	30	20,759	1998	1	27	1,031	7,327
1999	29	21,009	1999	1	21	1,075	8,179
2000	28	21,386	2000	5	24	976	9,181
2001	28	19,474	2001	4	34	1,100	9,474
2002	21	20,987	2002	1	44	1,105	9,527

Source: Min. of Finance, B.C.

Source: Office of the superintendent of Bankruptcy, Gov't Canada

### Trade Area

The approximate trade area for the Prince Rupert economy is as follows:

- Primary trade area population: 19,197
- Secondary trade area population: 5,598
- Tertiary trade area population: 33,136
- Total trade area population: 57,931

### Key Players and Stakeholders in the LRMP

Below is a list of many of the stakeholders, businesses, and key players that hold a vested interest in the economic development of the North Coast and in the outcome of the LRMP.

#### Tourism Prince Rupert

100-215 Cow Bay Road, Prince Rupert

Telephone: (250) 624-5637

Facsimile: (250) 627-0992

Toll Free: 1-800-667-1994

Web Page: [www.tourismprincerupert.com](http://www.tourismprincerupert.com)

Email: [info@tourismprincerupert.com](mailto:info@tourismprincerupert.com)

#### Prince Rupert Port Authority

200 - 215 Cow Bay Rd. Prince Rupert, BC V8J 1A2

Telephone: (250) 627-8899

Facsimile (250) 627-8980

Web Page: [www.rupertport.com](http://www.rupertport.com)

Email: [pcorp@rupertport.com](mailto:pcorp@rupertport.com)



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### **Prince Rupert & District Chamber of Commerce**

100-215 Cow Bay Road, Prince Rupert

Telephone: (250) 624-2296 Facsimile: (250) 624-6105 E-mail: [prchamber@citytel.net](mailto:prchamber@citytel.net)

### **Prince Rupert Economic Development Commission**

138 1st Avenue West, Prince Rupert, BC, V8J 1A8

Telephone: (250) 627-5138

Facsimile: (250) 627-5139

Toll Free: (877) 725-8799

Website: [www.predc.com](http://www.predc.com)

Email: [predc@citytel.net](mailto:predc@citytel.net)

### **Seafood Industry Development Office**

138 1st Avenue West, Prince Rupert, BC, V8J 1A8

Telephone: (250) 627-5136

Facsimile: (250) 627-5139

E-mail: [jimpredc@citytel.net](mailto:jimpredc@citytel.net) Web: [www.predc.com/seafood.htm](http://www.predc.com/seafood.htm)

### **City of Prince Rupert, Development Services Department**

424 3rd Avenue West, Prince Rupert, BC, V8J 1L7

Telephone: (250) 627-0960

Facsimile: (250) 627-0999

E-mail: [cityhall@citytel.net](mailto:cityhall@citytel.net)

Website: [www.princerupert.ca](http://www.princerupert.ca)

### **Skeena Queen Charlotte Regional District**

100 1st Avenue East, Prince Rupert BC, V8J 1A6

Telephone: (250) 624-2002

Facsimile: (250) 627-8493

E-mail: [sqcrd@sqcrd.bc.ca](mailto:sqcrd@sqcrd.bc.ca)

Web: <http://www.sqcrd.bc.ca/>

### **Ridley Terminals Inc.**

P.O. Bag 8000

Prince Rupert, BC, V8J 4H3

Phone (250) 624-9511

Fax (250) 624-4990

[www.rti.ca](http://www.rti.ca)

### **Prince Rupert Grain Ltd.**

P.O. Box 877, Prince Rupert, BC, V8J 3Y1

Phone (250) 627-8777

Fax (250) 627-8541



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### **Canadian Stevedoring Company Limited**

P.O. Box 246, Prince Rupert, BC, V8J 3P6  
Phone (250) 624-5243 Fax (250) 627-1868

### **Tsimshian Tribal Council**

138 1st Avenue, Prince Rupert, BC, V8J 1A8  
Telephone: (250) 627-8782 Facsimile: (250) 627-1938  
E-mail: [ttc@tsimshian-nation.com](mailto:ttc@tsimshian-nation.com) Web: [www.tsimshian-nation.com](http://www.tsimshian-nation.com)

### **Nisga'a Lisims Government**

PO Box 231, New Aiyansh, BC, V0J 1A0  
Telephone: (250) 633-3000 Facsimile: (250) 633-0888  
E-mail: [ericg@nisgaa.net](mailto:ericg@nisgaa.net) Web: [www.nisgaalisims.ca](http://www.nisgaalisims.ca)

### **Lax-kw'alaams Band Office Linguistic Group: Tsimshian**

206 Shashaak Street, Port Simpson, BC, V0V 1H0  
Telephone: (250) 625-3293 Facsimile: (250) 625-3246  
E-mail: [wdrury@citytel.net](mailto:wdrury@citytel.net) Web: [www.laxkwalaams.ca](http://www.laxkwalaams.ca)

### **Metlakatla Band Office Linguistic Group: Tsimshian**

PO Box 459, Prince Rupert, BC, V8J 3R2  
Telephone: (250) 628-3234 Facsimile: (250) 628-9205  
E-mail: [mtreaty@citytel.net](mailto:mtreaty@citytel.net) Web: [www.metlakatlabc.ca](http://www.metlakatlabc.ca)

### **Kitkatla Band Office Linguistic Group: Tsimshian**

P.O. Box 149, Kitkatla, BC, V0V 1C0  
Telephone: (250) 848-2214 Facsimile: (250) 848-2238

### **Hartley Bay Band Office Linguistic Group: Tsimshian**

General Delivery, Hartley Bay, BC, V0V 1A0  
Telephone: (250) 841-2525 Facsimile: (250) 841-2541



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### **Kitsumkalum Band**

**Linguistic Group: Tsimshian**

PO Box 544, Terrace, BC, Canada V8G 4B5

Telephone: (250) 635-6177 Facsimile: (250) 635-4622

E-mail: [schristiansen@kitsumkalum.bc.ca](mailto:schristiansen@kitsumkalum.bc.ca)

Web: [www.kitsumkalum.bc.ca](http://www.kitsumkalum.bc.ca)

### **Kitselas Band**

**Linguistic Group: Tsimshian**

4562 Queensway Drive, Terrace, BC, Canada V8G 3X6

Telephone: (250) 635-5084 Facsimile: (250) 635-5335

E-mail: [Kitselas Administration Office](mailto:Kitselas Administration Office)

Web: [www.kitselas.bc.ca](http://www.kitselas.bc.ca)

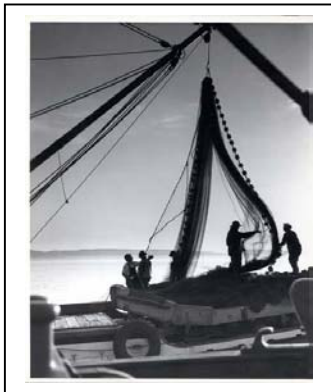
### **Haisla**

Kitamaat Village Council, P.O. Box 1101, Kitamaat Village, BC, Canada, V0T 2B0

Telephone: (250) 639-9361/9383 Facsimile: (250) 632-2840

## **1.2 History**

For thousands of years, indigenous peoples have populated the North Coast. The region's proximity to the Nass River, the Queen Charlotte Islands (Haida Gwaii) and the large Skeena River, provided support to generations of First Nations. Providing fish, wood and valuable resources the region allowed these First Nations to thrive. Long before Europeans arrived in northwestern British Columbia, Tsimshian, Nisga'a, Haida, Gitksan, Haisla and others traded and prospered as their populations grew and flourished.<sup>5</sup>



Prince Rupert's history starts with the [Tsimshian](#) people then includes fur traders and gold fever, a Utopian visionary and the visionary dreams of a railway tycoon. There were 38 cannery villages, fleets of fishermen, rumrunners and gangsters, armies and famous architects, all of which wove the fabric of Prince Rupert and area, today.<sup>6</sup>

To be more specific, a century ago, Kaien Island was still an unsettled, forest-covered wilderness on the shores of a magnificent harbour. Grand Trunk Pacific Railway tycoon, Charles M. Hays,

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<sup>5</sup> <http://www.predc.com/summary.pdf> *Prince Rupert Community Profile Summary*

<sup>6</sup> <http://www.princerupert.ca/tourism/index.html>



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saw the beauty of the area as well as the potential of a port and railway terminus. He envisioned a successful economy. By the early 1900s Hays had some of the best architects in North America draw up plans for an elegant new city on the island, but he never saw them realized. Hays went down on the Titanic in 1912, and after his death the city's destiny moved in a different direction.<sup>7</sup>

During World War II, more than 50,000 American troops passed through Prince Rupert bound for the Aleutians and the Pacific. The city grew rapidly to accommodate more people and supplies, some of them destined for construction of the Alaska Highway. Additionally a road was built inland to Terrace.

After the war came the construction of a pulp mill in nearby Port Edward in 1949. And in 1972, exactly 60 years after Hays died with his dreams, Prince Rupert was designated a national harbour and the development of the Port of Prince Rupert began. Since then the Port of Prince Rupert has developed into an international facility for shipping grain, coal, pulp, lumber and a growing list of commodities. The port, the pulp mill (albeit currently closed) and the diverse activities of Prince Rupert's residents make it a unique, modern community.

While Prince Rupert's economy has traditionally been strong in the natural resource sector, particularly forestry and fishing, its economy is shifting towards increased diversification. With opportunities in tourism, fish farm operations support, oil and gas development, small business growth, value added forestry, marine harvesting and expanding port facilities especially in the area of containerisation, the city is manifesting the direction that it is growing.

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<sup>7</sup> <http://www.princerupert.ca/tourism/index.html>



## 2.0 First Nations



First Nation's presence in the North Coast LRMP area is significant. Because coastal areas were more readily accessible in the days before road access, there is a long history of First Nations and European settlement along the coast. Early interactions between the First Nations and Europeans involved the fur trade. Trading ships moved through the area in increasing numbers during the mid- to late-1800s.<sup>8</sup>

The plan area is the ancestral home of three major tribal groups<sup>9</sup>:

- ***Tsimshian (Tsimpsean)*** - communities who have identified traditional territory in the plan area are Lax Kw'alaams (Port Simpson), Metlakatla, Kitkatla, Git'k'a'ta or Gitga'at (Hartley Bay) and Kitasoo (Klemtu). Kitsumkalum and Kitselas have also identified traditional use within the study area although their territories lie outside of the actual LRMP area. The Tsimshian are the largest First Nation's group taking part in this process.
- ***Nisga'a Lisims Government*** - A portion of the plan area is now Nisga'a Land as identified in the treaty signed April 2001, and is outside of the LRMP planning process. The Nisga'a have other interests identified within the LRMP plan area as part of their treaty: the Nisga'a have negotiated commercial recreation areas and a guide-outfitting tenure along Observatory Inlet, Portland Canal and surrounding areas. Nisga'a communities immediately adjacent to the study area include Gingolx (Kincolith) and Laxgalts'ap (Greenville). Gingolx is the westernmost Nisga'a community and received road access in the fall of 2002. Laxgalts'ap is located further up the Nass River and is accessible by road from the Yellowhead Highway. On Nisga'a Lands, commercial activities require tenure from the Nisga'a Lisims Government.
- ***Haisla*** - the main settlement today is at Tsee-Motsa (Kitamaat Village). The Haisla are comprised of two Tribes the Xanaksiyala and the Kitlope tribe. Within the study area the Haisla identified traditional territory includes areas in the vicinity of the Douglas Channel and the Gardner Canal.

As per reporting within the North Coast LRMP, First Nations involved directly in the process, include Haisla, Gitga'at (Hartley Bay), Metlakatla, Nisga'a, Lax Kw'alaams and Kitkatla. Each community has a unique history and their heritage and kinship to the land is clearly evident

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<sup>8</sup> Tamblyn, Greg and Hannah Horn. *Current Conditions Report: North Coast Land and Resource Management Plan*. March 2001.

<sup>9</sup> Fox, Warren and Dave Nicholson. *North Coast Tourism Opportunity Study*, December 2001



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throughout the region. Their art depicts their colourful heritage. Along the shoreline there remains evidence of traditional art through petroglyphs and pictographs. The best-known petroglyphs are along the Skeena River and Observatory Inlet. Other physical evidence of the First Nations can be viewed through:

- stone weirs along rivers (for salmon);
- midden sites (shellfish castings) evident along the shore;
- archaeological discoveries such as a cedar basket placing habitation to over 5,000 years ago, and an ancient village site at Pike Island (Laxspa'aws) (outside Metlakatla); and,
- culturally modified trees (utilized for their bark and wood).

From an economic development standpoint, the First Nations in the area have participated to varying degrees. Tourism is one area where their involvement continues to increase. Each of the First Nations communities has singers and dancers, some of whom have performed at events world-wide. In some communities, longhouses are being revived to provide a venue for their stories and to assist in forging cultural linkages between the youth and elders.

While First Nations have expressed a desire to share traditional uses, knowledge, expertise and information, there is a concern that the information gained from thousands of years of settlement will be presented by non-First Nations. Consequently, First Nations are interested in being involved in tourism opportunities and creating meaningful partnerships that recognize the unique role of First Nations within the North Coast. Kitkatla, Gitga'at, and Lax Kw'alaams have also expressed interest in getting involved in forestry opportunities and Kitkatla has shown support for oil and gas development.

The First Nation communities within the plan area are described below:<sup>10</sup>

### ***Kitkatla First Nation***

Location:	On several islands at the Browning Entrance to Hecate Strait, on B.C.'s North Coast. Main community is Kitkatla, on Dolphin Island, 65 km south of Prince Rupert. (21 reserves on 1,885.2 hectares.)
No. of Band members:	1,576 (Source: <i>Registered Indian Population by Sex and Residence 2001</i> , Indian and Northern Affairs Canada). Number on reserve in 1995 was 405.
Economic Development:	Main employers are administration and commercial fishing. The community obtains seasonal work in fish processing, roe-on-kelp, boat building, construction and salmon enhancement. Self-employed wood carvers are also part of the mix.

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<sup>10</sup>[http://www.gov.bc.ca/tno/negotiation/First Nations in the process/Tsimshian Tribal Council Map.htm](http://www.gov.bc.ca/tno/negotiation/First_Nations_in_the_process/Tsimshian_Tribal_Council_Map.htm)



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### ***Lax Kw'alaams Indian Band***

- Location: Main community is on Lax Kw'alaams Indian Reserve #1, at Port Simpson, approximately 30 km northwest of Prince Rupert. Reserves are located primarily on the Skeena River, Portland Inlet and Work Channel, on B.C.'s North Coast. (78 reserves on 11,898.7 hectares.) Access is by air or water..
- No. of Band members: 2,751 (Source: *Registered Indian Population by Sex and Residence 2001*, Indian and Northern Affairs Canada). There were 1050 residents on reserve in 1995.
- Economic Development: Main sources of employment include commercial fishing, forestry and administration. The community also runs a fish processing plant and roe-on-kelp operation.

### ***Metlakatla Band***

- Location: 5 km west of Prince Rupert, on the Tsimshian Peninsula, on B.C.'s North Coast. (16 reserves on 3,464.4 hectares.)
- No. of Band members: 700 (Source: *Registered Indian Population by Sex and Residence 2001*, Indian and Northern Affairs Canada). Number of residents on reserve in 1995 was 102.
- Economic Development: Metlakatla Development Corporation offers Pike Island (Laxspa'aws) tours. The Laxspa'aw tours include; ferry transportation to the island, an interpretive centre, a trail network and provides interpretation of ecological and archaeological values. 130 live on reserve. Other employment includes commercial fishing, fish processing, and aquaculture.

### ***Hartley Bay Village Council (also Gitga'at)***

- Location: At the confluence of the Greenville and Douglas Channels, 145 km southeast of Prince Rupert on B.C.'s North Coast. (14 reserves on 520.3 hectares.) Access is by water or air.
- No. of Band members: 632 (Source: *Registered Indian Population by Sex and Residence 2001*, Indian and Northern Affairs Canada) The population in the community in 1998 was 600, 200 on reserve, 400 off reserve.



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Economic Development: Accessible only by air or water. Economic Development includes Marine Study, Fuel Depot, Sport fishing lodge (King Pacific & West Coast Resort) and Forestry companies - operating within their territory are required to employ/train Band members. A longhouse in Gitga'at, an old village adjacent to Hartley Bay, is used for cultural exposition.



### 3.0 Economic Dependencies and Impact Ratios<sup>11</sup>

In May, 1999, The BC Ministry of Finance and Corporate Relations prepared a key publication, “*B C Local Area Economic Dependencies and Impact Ratios*”.

This Report, broken down into a number of BC regions, presents statistical data identifying sources of income into a community or region, ratios and multipliers that can be used to predict job impact due to change, and offers an economic base perspective of each region.

The fundamental premise is that the economy of a community can be represented by income flows, which can be classified as *basic* or *non-basic*, depending on where the income comes from.

#### *Basic*

- **Basic Earned** income is assumed to flow into the community from the outside world, usually in response to exported goods and services produced in the community. Outsiders may also come to the community and spend money that they have earned elsewhere (e.g., tourists). Transfer payments from senior governments, i.e. pensions, employment insurance payments, and income assistance, are also considered to be basic.
- Investment income has been classified as **Basic Unearned** income. Basic income does not all come from jobs. Some is from self-sufficient incomes not directly earned in the community, such as transfer payments from government - pensions, employment insurance payments, income assistance - and investment income. Any changes in non-employment basic income will also cause non-basic jobs and incomes supported by local services to change.
- Overall, **all economic activity that brings income into the community from outside is basic. Basic income flows into the community from the outside world, from:**
  - X *payments for exported goods and services produced in the community;*
  - X *spending by outsiders who come into the community and spend money they earned elsewhere; and,*
  - X *transfer payments from government - pensions, unemployment insurance payments, income assistance; investment income.*

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<sup>11</sup> British Columbia Local Area Economic Dependencies and Impact Ratios, Ministry of Finance and Corporate Relations, May, 1999, and Synergy Management Group Ltd. Proprietary Economic and Sector Linkages Models and Modelling (Synergy Management Group Ltd., Aug/94, Nov/97, Apr/98).



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### *Non Basic*

- **Non-basic** income is paid to individuals in the community for the goods and services they provide to other individuals in the community, where the relevant goods and services are actually purchased by (and used / consumed by) the community itself or by individuals in the community.

<i>Basic Earned</i>	<i>Basic Unearned</i>	<i>Non Basic</i>
<b>these sectors generate goods and services and earn revenues, and bring money into the region</b>	<b>these activities bring money into the region but the money is not generated through business activities</b>	<b>sectors that service the residents of the region and, do not attract significant outside money</b>
agriculture (AG) fishing & trapping (F&T) forestry (FOR) tourism (TOU) mining (MIN) health & education (H&E)  other, including government, manufacturing, construction, transport, wholesale, services (OTH)	employment insurance (UN) pensions (PEN) investment income (INV)  transfer payments, including family allowances, child tax credits, GST credits, others (TRA)	manufacturing, construction, transport, communications, wholesale, retail, services, finance, government, health, social services, hospitality, recreation, and entertainment where those providers supply local consumption needs

Community residents receive incomes from a variety of sources. They use these incomes to pay taxes and make purchases, and they need sufficient salaries from basic employers or transfer incomes to enable them to meet the expenditures.

Basic jobs and incomes are the engine of the economy. When basic jobs are gained or lost, non-basic jobs will also be gained or lost because of the spin-off effects. Basic jobs can be divided into “direct and indirect” basic jobs. Indirect jobs are those that depend on basic sectors, such as wholesale trade, business services and some forms of transportation. For example, transportation of logs or construction of logging roads are indirect forestry jobs. If direct basic jobs are lost or gained, indirect basic jobs will also be lost or gained because the business on which they depend has shrunk or grown.

In addition, there will be “induced” impacts, which are changes in the non-basic sector. When basic jobs are lost, income in the region falls, and so community members spend less income on local goods and services. Jobs and incomes supported by local services also decline. Since many employers exist partly to serve the local community and partly to serve base business, the incomes of those who work for these employers must be split between basic and non-basic sectors. For example, tourism is basic, so a proportion of the business of local restaurants,



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groceries, and transportation services must be assigned to tourism. Public sector services, such as health, education and government, serve some people from outside the community as well as residents, so a proportion of the incomes earned by nurses or teachers is basic.

Also, if basic employment declines then basic incomes will decline. In the short run, transfers will increase as workers begin to draw unemployment insurance, but not enough to offset the loss in basic salaries. The assumption that economic base impact assessment models make, is that the purchases of community residents will decline, both from the outside private sector and from local non-basic employers.

The latter decline will in turn further reduce the salaries paid to community residents who work in the non-basic sectors. If a community facing a decline in basic income consciously decided to spend more of its incomes locally, it might be able to offset the decline in basic income.

### ***Employment Ratios with No Migration***<sup>12</sup>

The “No migration” ratio is applied if, in the case of a job loss, all the workers who have lost their jobs will remain in the community and receive unemployment insurance benefits; or, in the case of a job gain, if the new jobs will be taken by previously unemployed workers in the community.

This is more likely to happen in the short run. This “employment ratio” works equally for job losses or job gains.

For every job lost or gained, indirect jobs are lost or created.

<b><i>Category</i></b>	
Logging	1.41
pulp and paper	1.67
wood manufacturing	1.35
Mining	N.A.
Technology	1.17
Agriculture and food	1.17
Tourism	1.07

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<sup>12</sup> BC Local Area Dependencies and Impact Ratios, Ministry of Finance and Corporate Relations, May, 1999, Table 3.2.1. p.32



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<i>Category</i>	
Public sector	1.15
Construction	1.30

### ***Employment Ratios with Migration***<sup>13</sup>

The “Migration” ratio is applied if, in the case of a job loss, all the workers who have lost their jobs will exhaust their unemployment insurance benefits and other supports and leave the community; or, in the case of a job gain, if the new jobs will be taken by in-migrants to the community. This is more likely to happen in the long run. This “employment ratio” works equally for job losses or job gains.

<i>Category</i>	
Logging	1.58
Pulp and paper	1.88
Wood manufacturing	1.51
Mining	N.A.
Technology	1.19
Agriculture and food	1.25
Tourism	1.20
Public sector	1.29
Construction	1.44

### ***Basic Sector Income Dependencies***<sup>14</sup>

The Community Income Dependencies show how much the community relies on each of the basic sectors.

The Income Dependency is the percentage of basic sector income for the region that is attributable to each basic sector.

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<sup>13</sup> BC Local Area Dependencies and Impact Ratios, Ministry of Finance and Corporate Relations, May/99, Table 3.2.2, p.34

<sup>14</sup> BC Local Area Dependencies and Impact Ratios, Ministry of Finance and Corporate Relations, May/99, Table 3.1.1, p.24



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Divided into eleven basic economic sectors (those generating revenues / monies from business and government into the region from outside sources), this highlights the region's dependency on any one sector.

<i><b>Basic Economic Sector</b></i>	
Forestry, logging, pulp and paper, sawmills, value added	22
Mining, extraction	0
Fishing and trapping	15
Agriculture and food processing	0
Tourism, accommodation, retail	8
Public sector, health, education, government	27
Other basic industry, manufacturing, transport	4
Construction	4
Non-employment income, investment income, corporate pensions	5
Transfer payments, employment insurance, social assistance, old age security, government pensions	13
Technology	0

### ***Diversity Index*** <sup>15</sup>

This index measures **the extent to which a region is diversified**. The Diversity Index, calculated from the income dependencies, **shows the degree to which a community relies on one or a few sectors**. ( A Diversity Index for a given region can be compared with the indices calculated for other regions of British Columbia.)

The Diversity Index is between 0 and 100. **If the community were entirely dependent on one sector, the index would be zero; if it depended equally on all sectors, the index would be 100.** Generally, small communities have lower indices than large ones. For the many regions considered by the Treasury Board (1996), the indices range from a low of 52 to a high of 81.

<b>Diversity Index</b>	<b>69 (76 – 1991 index)</b>
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<sup>15</sup> BC Local Area Dependencies and Impact Ratios, Ministry of Finance and Corporate Relations, May/99, Table 3.4.2, p.42



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### *Forestry Vulnerability*

This index measures the vulnerability towards a general negative economic impact resulting from a potential downturn in the forestry economy in a region.

<b>Forest Vulnerability</b>	<b>27</b>
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As reference points, Port Hardy has a 100% index, Powell River has 48% and Chilliwack has 6%. A high value is indicative that an area will experience greater difficulties (than regions with lower indices) if and when their forestry sectors decline.

*(BC Local Area Dependencies and Impact Ratios, Ministry of Finance and Corporate Relations, May/99, Table 3.4.4, p.45)*

### *Direct Tourism Ratio*<sup>16</sup>

In many instances, the impact of tourism employment, particularly between tourism sectors, is difficult to measure. Accommodation is the base of tourism enhancement in a region. By multiplying the number of jobs to be created in the accommodation sector by the following ratio, the result will represent an estimate for direct tourism employment in food services, retail and transportation, i.e. measuring the impact of jobs created in related tourism sectors and services.

<b>Direct Tourism Ratio</b>	<b>2.72</b>
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<sup>16</sup> BC Local Area Dependencies and Impact Ratios, Ministry of Finance and Corporate Relations May/99, Table 3.5.1, p.48



## 4.0 Economic Development

### 4.1 Vision Statement

The Socio-Economic Working Group (SEWG) of the North Coast LRMP developed a vision statement that sets the context on which this report is based. The vision statement is as follows:

*“The vision of the Economic Development Action Plan is to provide direction to create a diversified and sustainable economy that promotes long-term economic growth. The plan will identify key development and employment opportunities and suggested implementation actions across the range of sectors for present and future generations.*

*The plan will recognize cultural diversity, environmental, economic and social values of the region for present and future generations. “*

### 4.2 Economic Trends and Analysis

#### *Provincial Outlook*

In the new millennium it was expected that British Columbia would emerge, after a rough 1990's, as an economic leader in Canada. Instead, 2001 brought a global economic slowdown, a trade dispute with the United States on softwood lumber, and the fallout from the terrorist attacks of September 11th. BC is currently in a transition phase—one that will dramatically impact the province as a place in which to live, work, and invest.

The diversification of the economy as it shifts from goods-producers to services-producers may buffer communities from downturns in commodity markets. The province's rural areas, such as the North Coast, have seen a significant increase in consumer bankruptcies in the last five years relative to urban areas, reflecting the downturn in the forestry, agriculture, and mining sectors.<sup>17</sup>

From 1992 to 2001, service sector jobs in BC grew by 24.2%, while jobs in the goods producing sector edged up by just 5.4%. Jobs have also been shifting: the goods producing sector employed 22,000 fewer people in 2001 than it did in 2000, and 9,600 less people than in 1994.<sup>18</sup>

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<sup>17</sup> [http://icabc.hurrah.com/pdfs/cachecheckup/bccheckup/bccheckup\\_2002/bccheckup\\_2002.pdf](http://icabc.hurrah.com/pdfs/cachecheckup/bccheckup/bccheckup_2002/bccheckup_2002.pdf) - Live, Work, Invest in BC, BC Check Up, Edition 2002

<sup>18</sup> Ibid.



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Reliance upon the service sector has both positives and negatives. The service sector has more stability than the goods producing sector, which is prone to “boom and bust” changes, however, the service sector tends to pay less and tends to be concentrated in the urban centres, creating regional disparities, as can be seen in the North Coast.

From an investment standpoint, the decisions of investors may be influenced by the policy changes made by BC’s Liberal government in its first year in office. During this period, they eliminated the sales tax on machinery and equipment, reduced the corporate income tax rate by 3%, raised the small business tax threshold by \$100,000, and eliminated the corporate capital tax. In addition, the government started to reduce unnecessary regulations, encourage public-private partnerships, and introduced modernized corporate legislation.

These, and many other “business-friendly” initiatives, are aimed at stimulating investment and job creation, and generating increased revenues for the provincial treasury. It takes time, however, for policy changes to take effect.

### *Local Perspective*

Given its geographic location, the North Coast has developed a diversified resource economy. Fishing, forestry, resource-related manufacturing, port services, tourism and the public sector have supported its economy over the years. As mentioned before, over the last 5 years, some abrupt changes have affected the area and the viability of the economy on its historical dependencies.

Commercial fishing continues to take a setback each year as ocean stocks persist on dwindling due to exploitation, not only by Canada but by foreign fishing boats as well. With the inception of the BC Liberal government in 2001, an extreme reduction in public service employees (30% - 50% cut in ministries and programs) has been experienced. This was especially the case in northern BC as many of the ministries moved to a more centralized approach. This was in the opposite direction of the previous NDP government that had been in power for 10 years. In 1996, the largest employer in the North Coast Forest District was the public sector, accounting for 30% of the employment (MOF, 1999). Given that BC has ranked 10<sup>th</sup><sup>19</sup> of all the provinces in public sector employment generation from 1997 – 2001, it is likely that this number is now far lower.

When reviewing statistics for the North Coast, the region is put together with the Nechako region and statistics are assigned for them as a group. Statistics from the Ministry of Advanced Education show that the % change in employment from 1996 – 2001 in the North Coast and

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<sup>19</sup> <http://www.fraserinstitute.ca/admin/books/chapterfiles/Complete%20Publication-LabourMkt03complete.pdf>



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## Economic Development Action Plan

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Nechako was -8.7% compared to 6.7% for BC in general and 10.7% for the Lower Mainland – southwest.<sup>20</sup>

With the shut down of Skeena Cellulose (now New Skeena Forest Products Inc.) pulp mill in 2001, and the closure of West Fraser's North Coast Timber, two significant corporate employers have been laid to rest. The outlook for the pulp mill is still unknown. However, with the Order-In-Council decision to allow 35% raw log exports, some forestry activity has been able to continue. This order-in-council is effective until 2005.

Agriculture, high technology, and mining are currently minor contributors to the economy however, now with the push by the Liberal government to explore oil and gas exploration, mining and high technology could experience a boost in the near future. If oil and gas exploration moves ahead in earnest in and around the Queen Charlotte's, Prince Rupert will likely be the staging area for much of that activity.

Transportation and tourism continue to be the most significant areas for growth. With the development of the cruise ship terminal in Cow Bay and the continued push to move forward with a containerisation facility, Prince Rupert could see some positive injection into the economy in the next 5 years. Ramping up for the changes that will be brought about by the development of these projects is the most important focus for economic development in the area.

From an employment statistics perspective, there is a notable imbalance from the main city centres to the outlying communities. Generally unemployment is moderate in the main centres and extremely high in the outlying communities, where the unemployment rate exceeds 80% in some places. It is also important to note that the economy of the North Coast is tied strongly to economies outside of the region.

Much wood harvested in the North Coast TSA is shipped to Terrace, Vancouver Island and the Lower Mainland to be processed, and the port facilities are dependent on the markets for commodities such as coal and grain which are shipped from outside the area. Even tourism is reliant on the over all popularity of the northwest which ideally extends from Alaska south to Vancouver Island. Prince Rupert is just one port of call.

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<sup>20</sup> <http://www.aved.gov.bc.ca/labourmarketinfo/lfsurvey/oct02/oct02.htm> - Labour Force Statistics October 2002



### 4.3 S.W.O.T. of Opportunities<sup>21</sup>

Strengths, weaknesses, opportunities and threats are a common approach to determine the parameters under which an economic sector or regional economy is functioning.

The S.W.O.T. can, and does change over time.

The S.W.O.T. of sectors are summarized below were, for the most part, identified by the Socio-Economic Working Group (SEWG) of the LRMP. Some elements have been highlighted below **(in bold)** because SEWG participants had originally placed a marker beside them, indicating their importance or linkage to the LRMP.

However, additional information and analysis has been added by Synergy (where no information existed for the sector, or additional S.W.O.T. features were identified).

They are shown below in **underlined, bold italics**.

The SEWG, of the LRMP was given the task of identifying the strengths, weaknesses, opportunities and threats of various sectors and their relationship to the LRMP in a workshop in 2002. This examination of opportunities and barriers to the plan area's economic development becomes part of the base case Report for the LRMP.

The SEWG determined that the linkage between an opportunity and the LRMP indicated various "influence" mechanisms. These included

- appropriate land zoning (e.g. to better utilize both low and high productivity sites for forestry),
- changing public perceptions (e.g. cross sectoral consensus would support forest certification),
- recommending policy changes (e.g. tenure reform in forestry and tourism), and
- changing attitudes of LRMP participants in the planning process (e.g. facilitate First Nations partnerships).

The results of the session revealed the following perceived priority of sectors and the influence of the LRMP on those sectors. This information helps to foresee where stakeholders will be inclined to focus their efforts and support in the future in reference to economic development initiatives.

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<sup>21</sup> Taken from the "Summary of Opportunities and Barriers Brainstorming Session", SEWG, February 2002.



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## Economic Development Action Plan

### Results

Number of Markers by Sector (in order of total markers)

Sector	Priority	LRMP Influence
Forestry	49	54
Tourism	38	38
First Nations	23	22
Commercial Fishing	22	17
Recreation	7	16
Energy	5	10
Mining	6	8
Informal	6	6
Agriculture, Trapping & Food Products	4	2

As can be seen from the chart above, it is clear that forestry is the dominant sector of interest for the SEWG.

Tourism, First Nations and Commercial Fishing come next in priority for attention relevant to their importance for economic development.

Sector: Forestry: includes harvesting and related activities, wood manufacturing			
Strengths	Weaknesses	Opportunities	Threats
Abundance of wood	High pulp content	Ecosystem based management	Softwood lumber tariff
High quality saw logs	Dependency on Asian markets	First Nations partnerships	Raw log export (barrier to processing)
Good growing sites	Remoteness, poor infrastructure resulting in high logging costs	Market non-timber forest products (e.g. related to First Nations culture)	Current tenure system
Variety of species	Less than optimum wood profile	Brand harvest product from certified forest	Structural change in international markets reduces relative importance of local wood supply to local markets
Renewable resource	Complexity of forest for certification	Developing low productivity sites	Natural threats, disease and pests
Flexibility of small operators	Conflicts with non-timber users	Intensive management of high productivity sites	Competing regions increasing second growth harvest
Lack of urban interference	Limited land base	Raw log exports	Loss of skilled work force



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<b>Sector: Forestry:</b> includes harvesting and related activities, wood manufacturing			
Strengths	Weaknesses	Opportunities	Threats
Existing processing facilities	No large active mills	Facilitating access to small volumes of high quality wood for local value added manufacturing	Changing social values and acceptable practices
Experienced labour force		More local sales	
Close to port facilities			

<b>Sector: Tourism:</b> includes tourist attractions, accommodation and services in Prince Rupert, and products based on wilderness setting.			
Strengths	Weaknesses	Opportunities	Threats
Wilderness, marine environment is an asset	Seasonal industry, short season	Potential for cultural/heritage products	Canadian shipping regulations
Diversity of products	Low wage level	Potential for geographic expansion	Tied to trends and tastes of external market
Not overdeveloped or saturated	Lack of product development and training	Potential for product diversification (e.g. heliskiing)	Distance to major markets
Locational advantage for access from US	Lack of infrastructure for high volume tourism	Destination Tourism (e.g. sporting events)	Low currency exchange for purchasing imports
First Nation culture is an asset	Low start up cost (for some products)	Showcasing sustainable forestry practices	Weather
Low US/Canada exchange rate	Cost and frequency of access	Linking tourism with other commercial resource use	Conflict with other land uses
Existing transportation links	High cost of doing business	Cruise ships	Jurisdictional disputes
Existing market position in international market	Lack of after hours entertainment	First Nations partnerships	Cruise ship and fish farms
	Airport facility	Keep people longer	Lack of interest in promoting tourism
	Limited capital	Expand Ecotourism	
	Lack of experienced workforce	Partnerships with Alaska	
	Limited local involvement in some facilities		



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Sector: Recreation: contains public recreation products			
Strengths	Weaknesses	Opportunities	Threats
Ample opportunities	Local economy	Match with tourism operators	Environmental damage
Diversity of opportunities	Short season	New access to beaches	Overuse
Existing infrastructure	Access	Building new trails	
Pristine wilderness	Conflicts between local users	Sell map of recreation opportunities and use proceeds to enhance resource	
Transport corridor (highway, rail, water, air)		Salt Lake development	

Sector: Energy : includes hydro electric, oil and gas, solar and wind			
Strengths	Weaknesses	Opportunities	Threats
Slope and precipitation creates hydro electric potential	Limited developed infrastructure	Tidal and wind power generation	Distance to market
High winds and steady	High costs, difficult environment	Biomass conversion	Environmental concerns
Large tides and current	Conflicts with other resources	<u>Conservation</u>	Financial capital
<u>Offshore oil deposits</u>	No experienced labour force	<u>Offshore oil and gas</u>	Local labour may not be trained for new projects
<u>Support of the current provincial government</u>		<u>Government programs to encourage exploration</u>	<u>First Nations treaty settlements</u>

Sector: Mining: includes metal and industrial mineral development			
Strengths	Weaknesses	Opportunities	Threats
Diverse and high mineral potential in many areas	Limited change of major deposit in any particular area	Develop more local skilled labour force	Land claim uncertainty
Rail and tidewater access	Past practices	Involve First Nations	Global price fluctuation
Nearby skilled workforce (i.e. Smithers)	Limited secondary processing	Develop new products	Public Perception of mining and mining impacts
New practices	<u>Changes take time to be realized</u>	New methods for development	Environmentalists



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## Economic Development Action Plan

<b>Sector: Mining:</b> includes metal and industrial mineral development			
Strengths	Weaknesses	Opportunities	Threats
Potential high revenue	<b>Land use uncertainty</b>	Develop Secondary processing	Tax breaks not available
<u>Existing materials for use</u>	<b>High risk factor</b>	<u>Government programs to encourage exploration and development</u>	
<u>Support of the current provincial government</u>	<b>Environmental factors, Destabilizing when mine shuts down</b>		
	<b>Long term health effects</b>		
	<b>Labour comes from outside</b>		

<b>Sector: First Nations:</b> considered as an economic agent / opportunity generators			
Strengths	Weaknesses	Opportunities	Threats
First Nation mystique attraction for tourists	Lack of capacity	Treaty settlement	Traditional knowledge not passing to successive generations
Strong vibrant community	Isolation	Use First Nations for “branding” North Coast products	Continued uncertainty with respect to rights and title
Desire to be involved in local economic activities	Uncertain/evolving relationship with government and industry	Increase participation in other sectors	Exploitation of First Nations lack of business acumen
Isolated (hence insulated from base influences)	Overlapping territories	Backcountry tourism development	Changing government policy (i.e. withdrawing services)
History of participation in economy	Lack of Management authority	Traditional knowledge used to help market North Coast	Lack of proper and fair consultation process
Rich heritage and culture	Legacy of residential schools (loss of language and culture)		

<b>Sector: Agriculture:</b> includes food products, trapping and land based aquaculture			
Strengths	Weaknesses	Opportunities	Threats
Established traplines	Low agriculture capability	Botanical forest products	Environmental concerns regarding aquaculture
Fish processing plants and infrastructure	Climate	Seaweed harvesting	Growing marijuana is illegal



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<b>Sector: Agriculture:</b> includes food products, trapping and land based aquaculture			
Strengths	Weaknesses	Opportunities	Threats
Large area to develop	Lack of baseline data and environmental monitoring for aquaculture	Aquaculture (halibut, salmon, shellfish, abalone)	
Good growing sites for some produce		Harvest natural remedies	
<b><i>Market demand</i></b>		Dockside fish market	
		<b><i>First Nations involvement and capacity building</i></b>	

<b>Sector: Commercial Fishing:</b> includes harvesting and processing of natural stocks			
Strengths	Weaknesses	Opportunities	Threats
Access to resource	Declining population for a number of important species	New methods for selective fishing	Jurisdictional uncertainty
Port for export	Facilities not equipped to process new products (need investment)	Utilize other species	Industry consolidation province wide
Experienced workforce	Conflict between user groups	Obtain higher value-added from existing species	Environmental impacts from other industries
Existing facilities and boats		Increase fish populations (e.g. habitat restoration)	Government downsizing
Diverse fishing opportunities		New methods for selective fishing	Mismanagement
		Utilize other species	Offshore fish processing

<b>Sector: Informal:</b> includes a range of non-regulated activities			
Strengths	Weaknesses	Opportunities	Threats
Allows people a form of economic stability	<b>Some activities may be technically illegal (e.g. traditional fish trapping)</b>	<b>Develop locally relevant regulation</b>	Use and interests can be ignored in management
Traditional and informal regulation	<b>Lack of regulation</b>	<b>Potential for commercialisation</b>	Forced to convert
Reinforces some cultural values	<b>Insecure tenure</b>	<b>Opportunity to reduce dependence on government regulations</b>	Difference in jurisdiction
Abundance of	<b>Undervalued and un-</b>	<b>Creates locally</b>	Shift from informal to



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## Economic Development Action Plan

opportunities	documented	relevant networks	formal can be disruptive
		Develop mechanism to support informal economy	

Sector: <u>Botanical Forest Products: includes mushrooms, floral and greenery, medicinal and nutraceuticals, and art</u>			
Strengths	Weaknesses	Opportunities	Threats
<u>Can be harvested sustainably</u>	<u>Sector largely unregulated</u>	<u>Develop mechanisms to support the development of Botanical Forest Products</u>	<u>First Nation's treaty settlements</u>
<u>A way to pass on cultural knowledge</u>	<u>First Nations' are protective of their cultural information</u>	<u>Develop a market of First Nation's based products</u>	<u>Government regulations attempting to limit natural health industry</u>
<u>International demand</u>	<u>Limited knowledge in appropriate harvesting techniques</u>	<u>Increase market demand to strengthen industry</u>	<u>Abuse of resource due to lack of harvesting control</u>
<u>Abundant supply of materials</u>	<u>Renegade approaches to harvesting which destroys resource</u>	<u>Development of new products as yet undiscovered</u>	<u>Loss of resource due to logging</u>
<u>Diversifies the economy</u>	<u>Poor inventory documentation</u>	<u>Involvement of First Nations</u>	

Sector: <u>Ocean based Aquaculture: includes finfish and shellfish in natural settings</u>			
Strengths	Weaknesses	Opportunities	Threats
<u>International market demand</u>	<u>Introduction of foreign species to a natural environment</u>	<u>Ongoing knowledge and research to develop best business practices</u>	<u>Environmental concerns</u>
<u>International experience</u>	<u>Disease and limited information on industry</u>	<u>First Nations involvement</u>	<u>First Nations treaty settlements</u>
<u>Developing industry</u>	<u>Fluctuating market demand</u>	<u>Good locations to develop available</u>	<u>Larger corporation control can develop</u>
<u>Good geographical locations for development</u>		<u>In the early stages of development for BC</u>	
<u>Diversifies the economy</u>			



### 4.4 Rating Economic Development Opportunities by Sector

Numerous studies and the current North Coast LRMP have highlighted viable opportunities that can be pursued from an economic development standpoint. These opportunities have been ranked by criteria developed by the Socio-Economic Work Group (SEWG) of the LRMP. Ranking the opportunities provides a method of prioritisation based on identified goals. The original identified goals highlighted by the SEWG were as follows:

#### Identified Goals from SEWG

- 1 Sustainable **jobs**/livelihoods
- 1 Maximum number of **jobs** for the resources used e.g., more value-added processing.
- 2 a Healthy, stable **communities**
- 2 a Opportunities to maintain or increase **standards of living**
- 2 a Options maintained for **future generations**
- 2 b Balance between **community** needs and **environmental health**
- 2 b **Habitat** enhancement activities
- 3 a A diverse economy that includes both **industrial**-based economic activity and local **small-scale business** development
- 3 a A diversity of **small-scale enterprises**
- 3 a Local support and commitment by **large companies** i.e., investment in social capital
- 3 a Local shares/economic interest in **large businesses** operating in the area
- 3 b A community based economy with **local ownership** and control, not dependent on outside \$\$ - for First Nations and all communities.
- 3 b Effective working relationships with **local management**
- 4 A place for **First Nations** in economic activities – viable opportunities in all resource sectors e.g., forestry and ecotourism.
- 4 Participation by **First Nations** in resource management to ensure long-term interests in sustainable communities and environment are addressed.

As can be seen by the bolded components in the goals above, commonalities were combined, as best as possible, to refine these goals to the following:

- 1. Maintain and/or increase the number of jobs in the LRMP area
- 2 a Maintain and/or improve the standard of living for all generations in the LRMP area



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- 2 b Maintain a balance between community needs and environmental health
- 3 a Maintain a diversity of large and small scale businesses in the LRMP area
- 3 b Maintain or increase the amount of local investment in local companies
- 4 First Nations

These goals were suitably divided into categories: Jobs (1), Communities and the environment (2), Business (3) and First Nations involvement (4).

Ultimately the opportunities were then ranked using the following system:

<i><b>Ranking Criteria for opportunities in each sector</b></i>		<i><b>Measure</b></i>	<i><b>Total possible points</b></i>
1	# of jobs generated or maintained by an opportunity (full-time equivalent)	low, med, high*	6
2a	Average personal income generated for each opportunity	low, med, high**	3
2b	Impact on land and resources by developing a specific opportunity	low, med, high***	3
3a	# of spin-off businesses generated from an opportunity	low, med, high~	3
3b	% of local investment into an opportunity	low, med, high~~	3
4	% of First Nations individuals to be employed by an opportunity	low, med, high~~~	6
<b>Total</b>			<b>24</b>
1	* - <b>low</b> (1-10), <b>medium</b> (11-50), <b>high</b> (51+)		
2a	** - <b>low</b> (<\$15,000/yr), <b>med</b> (\$15,000 - \$45,000/yr), <b>high</b> (>\$45,000/yr)		
2b	*** - <b>low</b> (extensive resource extraction and considerable land utilized), <b>med</b> (some resource extraction and some land utilized), <b>high</b> (little to no resource extraction and/or small area of land utilized)		
3a	~ - <b>low</b> (0-3), <b>medium</b> (4-8), <b>high</b> (8+)		
3b	~~ - <b>low</b> (0-33%), <b>med</b> (34-66%), <b>high</b> (67-100%)		
4	~~~ - <b>low</b> (0-33%), <b>med</b> (34-66%), <b>high</b> (67-100%)		

From this ranking system, the top 2 – 3 opportunities were highlighted and further expanded upon. This ranking was done during the Prince Rupert Economic Development Commission's technical work and results contained herein have not been changed or further analysed.

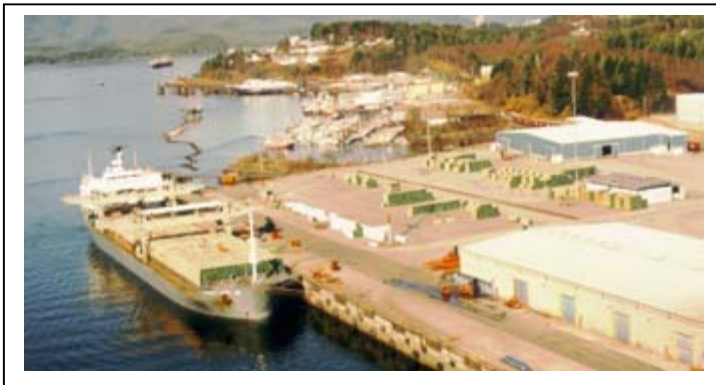
**It is important to note that within some sectors, the commonalities between opportunities are such that a common Action Plan is included at the end of the section instead of a repetitive Action Plan for each opportunity.** This is the case for Forestry, Tourism and Recreation and Botanical Forest Products. Recommendations to the Table are included after each Action Plan.



### 5.0 Container Facility

The container facility and the cruise ship dock are two key opportunities for economic development in the northwest and along the northwest corridor. Since these two opportunities are key, they have been highlighted within their own chapters recognizing the importance of priority of their development. The cruise ship development is covered in the next chapter.

As this point, a business case study has been funded by Western diversification for the container facility and is currently being completed. The objective of this project is to formalize the program necessary to proceed with the development of a new container port at the Port of Prince Rupert. Building on past work on the container project, this initiative will formulate and assemble the necessary information to prepare a prospectus for use in attracting a container terminal operator to partner in the development of a container terminal at Prince Rupert.



Specific project deliverables include the development of a situation analysis featuring background information on the Asia Pacific container market, overview of the competitive environment including existing facilities and infrastructure, review of project partner roles and responsibilities, market opportunity analysis, economic impact assessment, infrastructure plan, and preliminary

financial analysis.<sup>22</sup>

Almost every opportunity highlighted from Prince Rupert Economic Development Commission's technical work mentioned the advantages that the North Coast economy would experience if a container facility was to be built. The Northwest Corridor Development Corporation (see: [www.nwcorridor.com](http://www.nwcorridor.com)), a non-profit group, funded by public and private memberships in industries such as utilities, transportation and manufacturers, markets and advocates economic initiatives for the northwest corridor. One of the key initiatives that continue to be at the top of the list for development is the container facility. The NCDC stance on development is as follows:

- The corridor continues to have significant unused capacity that could be used to relieve congestion that is occurring in the south

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<sup>22</sup> [http://www.wd.gc.ca/mediacentre/2003/Aug08-01c\\_e.asp](http://www.wd.gc.ca/mediacentre/2003/Aug08-01c_e.asp) - Development of a Container Terminal Prospectus for Prince Rupert, British Columbia, Aug 7, 2003



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- A rationalization of any public funding on infrastructure should give greatest priority to projects of economic benefit to all Canadian taxpayers
- That there should be use of existing Northwest Corridor infrastructure before further investment in Greater Vancouver projects<sup>23</sup>

The dramatic shift towards the use of containers in international trade to satisfy the needs of Western Canadian producers and shippers continues to grow apace. The inherent strength of containerisation is its simplicity, standardization, and cost effectiveness providing a strategic advantage to shippers. Furthermore, Prince Rupert's location on the shortest land-sea route between Asia and the US Industrial Heartland makes the port a strategically significant trade route in the movement of containers.<sup>24</sup>

Numerous conversations with stakeholders in the area reveal that the development of a container port in Prince Rupert will result in a significant injection into the North Coast economy not only from a forestry value-added standpoint but from a number of other industrial developments as well. This sort of facility will provide regional producers with a significant competitive advantage for Asian markets due to the existence of an ice-free port. As an example, the North Coast will be well positioned to take advantage of the Chinese market that is currently being opened up by the Government of British Columbia, the Council of Forest Industries<sup>25</sup> and the major forest companies. New Skeena could be one of the largest single corporate users for the establishment of a container terminal<sup>26</sup>. The long-term market prospects for the container port are excellent with severe west coast capacity shortages predicted by 2007.

In reality, much effort regarding economic development in the North Coast should be directed towards the development of this facility, as it will impact on all opportunities to some degree. For that reason, this opportunity, although originally included in the Land Infrastructure/Development section, has been brought to the forefront for consideration.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Container Port** - The development of a container port at Fairview Terminal has the potential to transform the North Coast economy from a resource extraction and primary processing centre to a secondary and tertiary processing region. This infrastructure development will have a significant impact on all aspects of the LRMP especially as it relates to forestry operations on the North Coast and the highway 16 corridor, in general.

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<sup>23</sup> <http://www.nwcorridor.com/newsletter.html> - Corridor Report, October, 2002

<sup>24</sup> [http://www.wd.gc.ca/mediacentre/2003/Aug08-01c\\_e.asp](http://www.wd.gc.ca/mediacentre/2003/Aug08-01c_e.asp) - Development of a Container Terminal Prospectus for Prince Rupert, British Columbia, Aug 7, 2003

<sup>25</sup> Council of Forest Industries, 2001, Annual Report. p.9.

<sup>26</sup> <http://www.skeena.ca/media/media132.htm> - City purchase of mill up for vote



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<b>OPPORTUNITY REQUIREMENTS</b>	<b>Yes</b>	<b>Probably</b>	<b>Uncertain</b>	<b>Unlikely</b>	<b>No</b>
<i>Identified 'need' for the project?</i>	X				
<i>Can attract investors?</i>		X			
<i>Need joint venture partners?</i>	X				
<i>Project champions available?</i>	X				
<i>Practical, affordable opportunity?</i>	X				
<i>Community support?</i>	X				
<i>Community / Regional capacity?</i>	X				
<i>Identified market demand?</i>	X				
<i>Growth sector? Sustainable?</i>	X				
<i>Skilled labour in place?</i>		X			
<i>Physical infrastructure in place?</i>					X
<i>Can be financially self - sustaining?</i>	X				
<i>Environmental issues to deal with?</i>		X			
<i>Need permitting, certification?</i>			X		
<i>Activity has cultural significance?</i>					X
<i>Reasonable startup / market entry?</i>			X		
<i>Builds on existing business base?</i>	X				
<i>Overall chances of success?</i>	X				
<b>OPPORTUNITY DELIVERABLES</b>					
<i>Job creation potential?</i>	X				
<i>Secondary employment creation?</i>	X				
<i>New venture creation?</i>		X			
<i>Ability to deliver revenues?</i>	X				
<i>Provides economic diversification?</i>	X				
<i>Provides training, capacity building?</i>	X				
<i>Can deliver quantifiable results?</i>	X				
<i>Can deliver short - term results?</i>				X	

**Why this initiative makes good economic and business sense** – A container facility has been proposed since the late 1990's due to the increase in containerised shipping traffic and therefore overall shipping traffic lost to the three ports in the North Coast. Estimates to relieve the bottleneck in the one and only western containerised port in Canada (i.e. Vancouver) have been in the billions whereas costs to upgrade and develop a container facility in Prince Rupert have been estimated at 50 – 100M. The spin-off benefits to ALL communities on this corridor, due to the increase in traffic and the transportation capabilities and efficiencies, would result in economic development that could temper the great losses being experienced currently.

### **Action Plan –**

1. A business case study is already underway. These results should be well distributed to relevant stakeholders and the public at large. A significant communications campaign may result in swaying provincial and federal decisions.
2. All efforts at economic development, by the LRMP, local, municipal, regional governments and ministries, private stakeholders and non-profit organizations, should be towards this opportunity.
3. Ongoing support of NCDC and its initiatives should be continued. Attendance at the next NCDC Conference in October 2003, in Prince Rupert should be mandatory by ALL stakeholders.
4. Continued pressure on provincial and federal governments to receive available funding for this project should be maintained or increased.



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## Economic Development Action Plan

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### ***Recommendations to the LRMP Table:***

- Clear indication by the Table to support the development of this opportunity through appropriate zoning of affected areas and strategies to encourage government to support its development (DFO and environmental issues).
- Develop a Monitoring Committee that will oversee the advancement of all economic development opportunities. The Committee should recognize this opportunity as a priority and continue to be involved in its development. Its effect on other opportunities listed throughout this document is significant.

### ***Additional Details:***<sup>27</sup>

#### **Location Analysis:**

The container port site is Fairview Terminal that has expansion potential to the North.

#### **Business Analysis:**

- Recommended Ownership Structure: a joint venture between the Port of Prince Rupert, Canadian National Railroad and a terminal operator is the current proposed structure.
- Start-Up Costs: estimated at \$50.0 million to \$100.0 million inclusive of CNR's rail upgrade costs.
- Anticipated Revenues and Expenditures: a yet to be released business case study indicates that the cost of moving product from the US Midwest through Prince Rupert to Asia is cost competitive with competing west coast ports.
- Projected Employment: there is the potential to create 200 jobs in Prince Rupert with huge indirect employment throughout the region and along the Highway 16 corridor. The bulk of the jobs in Prince Rupert will be longshoremen, customs and policing, as well as, trucking and logistics.

#### **Environmental Analysis:**

There are low impacts for Fairview Terminal since this is strictly a retrofit of an existing facility.

There are public and regulatory agency concerns for environmental impacts of marine and foreshore due to increased shipping traffic. There is also a concern regarding congestion caused by increased truck and rail traffic to the terminal. Most effects are considered to be of low impact and able to be mitigated through careful planning. There is a well-established environmental assessment process for federal port lands.

**Policy Analysis:** There are no perceived barriers.

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<sup>27</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



### 6.0 Cruise Ship Development

Another project that has been pursued and supported over a number of years is the development of the cruise ship industry in Prince Rupert. Finally some support from the federal government has been put forward to help realize this opportunity.

The Honourable Stephen Owen, Secretary of State (Western Economic Diversification & Indian Affairs and Northern Development) announced on August 7, 2003 that the Government of Canada investments totalling \$1.6 million have been provided to support the cruise ship industry and additional port facilities in Prince Rupert.

The announcements included:<sup>28</sup>

- \$1.56 million towards a new dock facility at the Northland Cruise Ship Terminal in Prince Rupert.
- \$30,000 to the Prince Rupert Economic Development Commission (PREDC) for a cruise-labour gap analysis.

B.C. possesses the three key attributes to be a world class cruise destination: natural beauty, vibrant coastal communities and unique cultural offerings. These projects will enable the Pacific Northwest Region to tap into cruise industry growth by creating infrastructure for large cruise vessels and identifying key requirements for the cruise market.

The further development of new and exciting shore excursion products coupled with this strategic investment in infrastructure through the construction of dedicated cruise ship facilities, should ensure Prince Rupert can contribute to the continued growth and success of the cruise industry on the west coast. The Port of Prince Rupert is ideally located to participate in the continued growth of the Alaska cruise industry. An expanded cruise industry could generate \$9 million in annual economic impact to the economy of northwest British Columbia, the creation of 140 jobs, an estimated \$3.8 million in annual payroll and nearly \$2 million in annual provincial and federal tax revenues.

Some statistics to consider from the cruise ship industry are as follows:<sup>29</sup>

- More than 600,000 people visited Alaska aboard cruise ships in 2001, almost all of whom travelled through British Columbia's Strait of Georgia and revenue passengers now exceed 1 million per year.

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<sup>28</sup> [http://www.wd.gc.ca/mediacentre/2003/Aug08-01a\\_e.asp](http://www.wd.gc.ca/mediacentre/2003/Aug08-01a_e.asp) - Western Economic Diversification Canada Invests in Prince Rupert Cruise Industry, Aug. 7, 2003

<sup>29</sup> Tsimshian Cruise Ship Opportunity: A Briefing Paper. Synergy Management Group Ltd., Dec. 2002



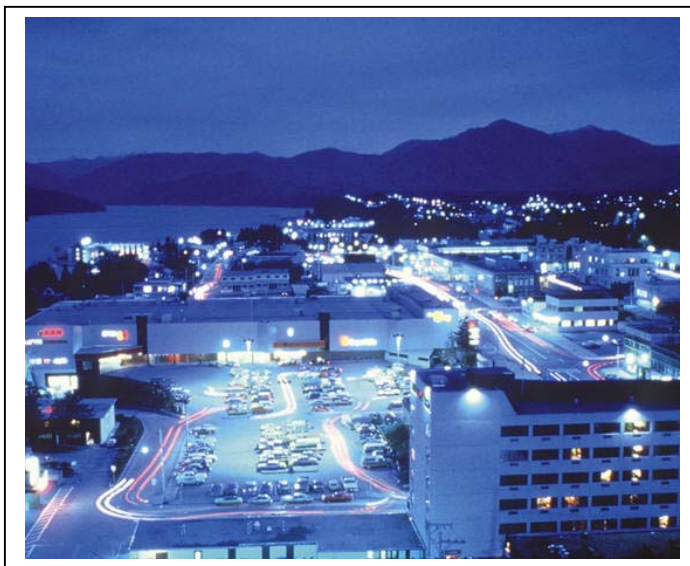
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## Economic Development Action Plan

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- Presently, some 26 ships (22 belonging to major cruise lines) regularly visit the Canadian Pacific coast.
- The economic benefit for Canada's largest cruise ship destination in Vancouver has been approximated at \$1.5 million per port of call.
- Currently, Port Vancouver witnesses more cruise traffic and is the homeport for more cruise vessels than its rival port of Seattle, Washington.
- Port Vancouver, as the largest Canadian cruise ship destination, receives 76 percent of cruise passenger arrivals into Canada and 90 percent of those into British Columbia.
- The major cruise industry operators are Carnival/ Holland America Lines, Princess Cruise Lines, Royal Caribbean International/Celebrity Cruise Lines, and Norwegian Cruise Lines.
- The Alaska cruise season typically covers a 5-month period (May to September). The months with the highest concentration of cruise passengers are July and August.
- Cruising comprises 4% of North American destination resort market.
- Average Annual Growth Rate 1980 – 2001: 8.4%

The cruise ship industry can offer a source of revenue for heritage/cultural attractions, marketing channel for local arts and crafts, motivation to celebrate and share cultural history, incentive for waterfront development, and a marketing channel for return visits/backcountry promotion.



First Nations are well positioned to take advantage of the growing demand for educational and cultural experiences from European tourists. Tourism potential on the North Coast is enormous and it is largely undeveloped, but it will become a major income and job creation engine over the next several years.<sup>30</sup>

Some of the specific opportunities that could be realized by the First Nations in the area (mostly the Tsimshian) include:

- Sustainable economic development

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<sup>30</sup> Reference: Clover point Cartographics Ltd. et al, March 2000, Forest and Fisheries Tourism Opportunities Study for the North.



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- Develop and provide goods (art, crafts, etc.) and services (tours, events, others) as profitable business ventures that will be operated by, and directly benefit the Member Bands of Tsimshian
- Job creation, tourism capacity building, new Tsimshian business ventures
- Attract and educate visitors
- Enhance and support Tsimshian culture through the development of authentic and culturally appropriate tourism products through a certification process that is wholly based on community values
- Joint venture with Prince Rupert and regional non - First Nations operators, where feasible and profitable to do so

North American cruise passenger numbers that support the average annual growth rate are as follows:

### North American Cruise Passengers (1998-2002) (000s)

Year	Passengers	% Increase
2002	7,500	7.8%
2001	6,909	0.5%
2000	6,882	16.8%
1999	5,894	8.6%
1998	5,428	7.5%

The following tables have been extracted from the Prince Rupert Cruise Ship Port Benefit Analysis, prepared for Prince Rupert Port Authority. The following represents statistics of the potential impact of cruise ships visiting Prince Rupert. It deals with small and large cruise ship stopovers, employment potential, payroll estimates and visitor spending that can possibly be generated, and all presented as 'low, medium (mid) and high' case forecasts.



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### *Small Cruise Ship Scenarios for Prince Rupert*

<i>Small Ships</i>	<i>Low Case</i>	<i>Mid Case</i>	<i>High Case</i>
<b>Existing Operators</b>			
Port Calls	31	62	87
Passenger Capacity	734	2,426	2,890
<b>New Ventures</b>			
Port Calls	6	40	89
Passenger Capacity	1,322	5,116	17,542
<b>Total</b>			
Port Calls	37	102	176
Passenger Capacity	2,056	7,542	20,432

### *Large Cruise Ship Scenarios for Prince Rupert*

<i>Large Ships</i>	<i>Low Case</i>	<i>Mid Case</i>	<i>High Case</i>
Port Calls	12	25	49
Passenger Capacity	15,300	28,800	59,400

### *Cruise Ship Opportunities for Prince Rupert – Small Ships*

<i>Scenario</i>	<i>Spending Generated</i>	<i>Employment Estimates</i>	<i>Payroll Estimates</i>
Low Case	\$351,062 - \$426,620	5.6 - 6.8	\$151,200 - \$183,600
Mid Case	\$1,287,797 - \$1,564,965	20.4 - 24.8	\$550,800 - \$669,600
High Case	\$3,488,764 - \$4,239,640	55.4 - 67.3	\$1,495,800 - \$1,817,100

### *Cruise Ship Opportunities for Prince Rupert – Large Ships*

<i>Scenario</i>	<i>Spending Generated</i>	<i>Employment Estimates</i>	<i>Payroll Estimates</i>
Low Case	\$1,196,380 – \$2,322,400	19.0 – 36.9	\$513,200 - \$996,300
Mid Case	\$2,264,765 – \$4,382,300	35.9 – 69.6	\$969,300 – 1,979,200
High Case	\$4,667,790 – \$9,033,690	74.1 – 143.4	\$2,000,700 – 3,869,100

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Cruise Ship Development** - Prince Rupert has the potential to attract 140 vessels and over 250,000 passengers per annum within 10 years of constructing the dock facility.



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<b>OPPORTUNITY REQUIREMENTS</b>	<b>Yes</b>	<b>Probably</b>	<b>Uncertain</b>	<b>Unlikely</b>	<b>No</b>
<i>Identified 'need' for the project?</i>	X				
<i>Can attract investors?</i>	X				
<i>Need joint venture partners?</i>	X				
<i>Project champions available?</i>	X				
<i>Practical, affordable opportunity?</i>		X			
<i>Community support?</i>	X				
<i>Community / Regional capacity?</i>			X		
<i>Identified market demand?</i>	X				
<i>Growth sector? Sustainable?</i>	X				
<i>Skilled labour in place?</i>				X	
<i>Physical infrastructure in place?</i>					X
<i>Can be financially self - sustaining?</i>	X				
<i>Environmental issues to deal with?</i>		X			
<i>Need permitting, certification?</i>			X		
<i>Activity has cultural significance?</i>	X				
<i>Reasonable startup / market entry?</i>			X		
<i>Builds on existing business base?</i>	X				
<i>Overall chances of success?</i>	X				
<b>OPPORTUNITY DELIVERABLES</b>					
<i>Job creation potential?</i>	X				
<i>Secondary employment creation?</i>	X				
<i>New venture creation?</i>		X			
<i>Ability to deliver revenues?</i>	X				
<i>Provides economic diversification?</i>	X				
<i>Provides training, capacity building?</i>	X				
<i>Can deliver quantifiable results?</i>	X				
<i>Can deliver short - term results?</i>				X	

**Why this initiative makes good economic and business sense** – The development of the cruise terminal dock facility will help establish Prince Rupert as a port of call for international cruise lines and develop the tourism industry in the Pacific Northwest region. This project is part of the BC Cruise Initiative, announced on April 2003, designed to enhance the cruise industry in BC.

### **Action Plan –**

1. An Opportunities Assessment and Gap Analysis is currently underway. These results should be well distributed to relevant stakeholders and the public at large.
2. All efforts at economic development, by the LRMP, local, municipal, regional governments and ministries, private stakeholders and non-profit organizations, should be towards this opportunity.
3. Ramping up the community through training, small business development and education will be necessary.
4. Build upon existing liaisons and relationships within the industry to keep abreast of changes and current issues and to understand the needs of a city when succeeding at serving this sizable industry.



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## Economic Development Action Plan

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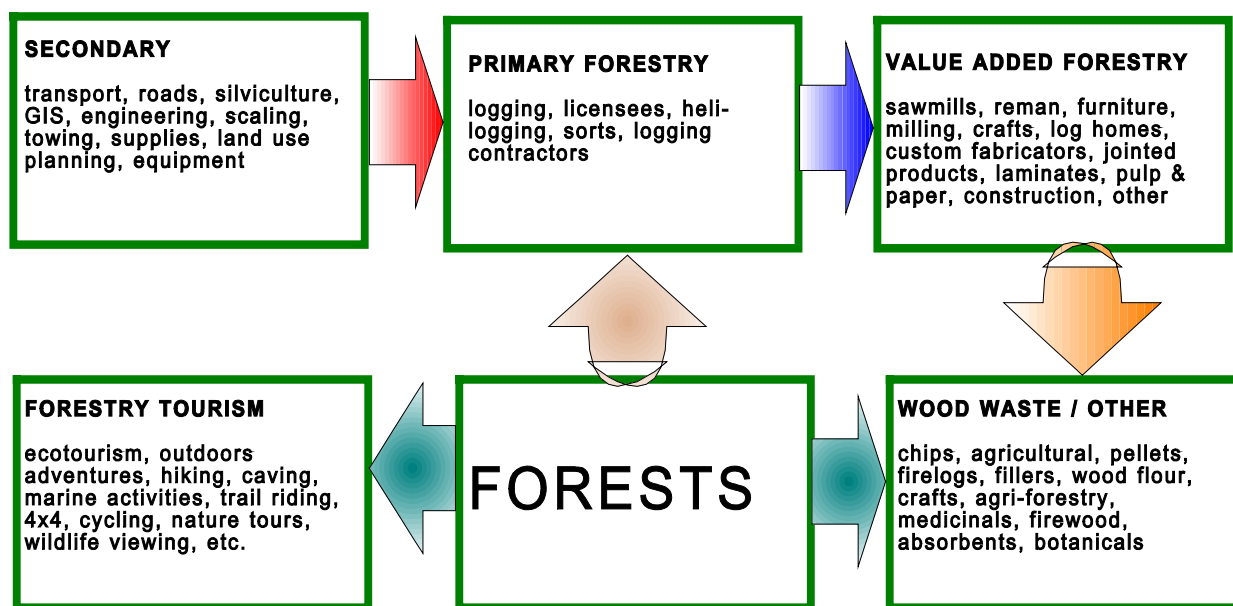
### *Recommendations to LRMP Table*

- Develop a Monitoring Committee that will oversee the advancement of all economic development opportunities. The Committee should recognize this opportunity as a priority and continue to be involved in its development. Its effect on other opportunities listed throughout this document is significant.
- Spin-off opportunities within the tourism and recreation sector should consider this development. Ensuring excursion type businesses are supported by the decisions of the Table is essential. Therefore, ensuring the availability of crown land undisturbed by industrial development to allow for wildlife viewing etc... is important.
- Land zoning that will allow for appropriate tourism recreation in reasonable proximity to the Cruise ship terminal is important
- Visual quality objectives throughout the sailing path of the cruise ships should be maintained in order to appeal to the tourism component.



### 7.0 Forestry

Forestry is the largest basic industry on the North Coast representing 22 percent of the after-tax income in Prince Rupert<sup>31</sup>. Forestry represents a host of opportunities within related niche sectors as shown on the chart below.



Synergy Management Group Ltd., Feb/99

The North Coast forest industry has been going through a difficult transition for a number of years. As mentioned earlier, Skeena Cellulose Inc. (now known as New Skeena Forest Products Inc.) has not operated since June 2001 with an uncertain future moving forward. In addition, West Fraser permanently closed North Coast Timber in October 2001.

There have been a number of barriers facing the forest industry as a whole, which apply to each opportunity. The largest barrier is uncertainty around access to fibre on a long-term basis throughout the small and medium sized companies engaged in forestry. The completion of the North Coast LRMP can begin to remedy this problem, however settlement of the treaty issues with the Tsimshian Bands is more prevalent. No timber sales have been let in for some time due to this process. Some of the Bands involved in the treaty process for the North Coast area have

<sup>31</sup> Prince Rupert Economic Development Commission, July 2002, "A Socio-Economic Impact Analysis of Skeena Cellulose Inc." p.1.



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been standing strong on their interests resulting in a stagnation of the process and causing tie-ups in other areas for forestry development.

The proposed changes to the Forestry Act also have the potential to alleviate some of the barriers, with the 20 percent take back provision and stumpage issues. However, this may have a negative impact on license holders and contractors. Stumpage issues are the most relevant component since the cost of logging in the North Coast is extremely high and negates most profit capability.

An end to the Canada –US softwood lumber dispute would help to open up the US market. From a news release on September 5, 2003, the Canadian lumber industry hailed a decision from a North American Free Trade Agreement (NAFTA) Panel as a major victory in the ongoing softwood lumber dispute with the U.S. Canada's steady stream of victories at NAFTA and the WTO prove that the U.S. case is weak. In its decision the NAFTA panel returned the case to the ITC and instructed it to re-evaluate its decision in light of the panel's rulings. The ITC will have 100 days to respond.<sup>32</sup>

As part of a continuing effort to revitalize the forest industry, the government of British Columbia has recently introduced legislation, which transforms tenure, stumpage, cut control and appurtenancy (tying timber rights to local processing facilities and jobs). Next on the list of the government's intended changes is reform of the Timber Harvesting Contract and Subcontract Regulation—Bill 13—which applies to many licensees on the BC Coast and to some licensees in the interior of the province. It is anticipated that these changes will be introduced later in 2003.<sup>33</sup>

The North Coast Forest District has an Allowable Annual Allowable Cut (AAC) of 546,524 m<sup>3</sup>. The district AAC is divided into 5 Forest Licences (FL). The 5 Forest Licensees are:

*British Columbia Timber Sales – AAC 150,126 m<sup>3</sup>*

*International Forest Products – AAC 205,715 m<sup>3</sup>*

*Triumph Timber Ltd - AAC 139,231 m<sup>3</sup>*

*Boyle and Dean Logging - AAC 19,295 m<sup>3</sup>*

*Thomson Industries - AAC 29,385 m<sup>3</sup>*

The remaining AAC of 2,872 m<sup>3</sup> is apportioned to Forest Service Reserve. In addition Western Forest Products has a portion of their Tree Farm Licence 25 in the North Coast covered under Block 5.

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<sup>32</sup> [http://www.bclumbertrade.com/images/sept\\_5\\_2003.pdf](http://www.bclumbertrade.com/images/sept_5_2003.pdf) - Canada wins at NAFTA in Softwood Lumber dispute, Sept. 5, 2003

<sup>33</sup> [http://www.forestnet.com/archives/June\\_03/spotlight.htm](http://www.forestnet.com/archives/June_03/spotlight.htm) - *Struggling with Change*, June 2003 - Logging and Sawmilling Journal



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An additional non-AAC contributing tenure is the Lax Kw'alaams Non-Replaceable Forest Licence with a harvest rate of 22,000m<sup>3</sup>/year.

There is no annual cut control requirement for the timber sales licenses issued under the Small Business Forest Enterprise Program.

The undercut over the past 8 years has been more significant with actual volumes harvested between 3 – 56% of the actual AAC.<sup>34</sup>

### *Market Analysis*

#### **Current Market Demand:**

Opportunities for forestry in the North Coast all face the same difficulties. No significant large sawmill is currently operating in the area and there is only one year left of the Order-In-Council for the 35% exportation of raw lumber. This OIC has been the one thing to help some of the smaller value-added businesses maintain a marginal operation.

Generally from the perspective of those businesses still struggling to stay afloat, if the current market could sustain the development of the suggested opportunities, they would already be in existence. Businesses are market driven and the current snapshot of the industry shows the shingle market to be flat due to the softwood lumber agreement and the lack of demand via lack of small operators, would create challenges for a kiln. Log sorting still occurs through Ridley Island Log Sort and this is driven by the OIC. When this expires in one year, it could very well impact their business further. The hope is that the OIC will be extended to continue to stimulate the market although the Sierra Club is trying to oppose this option. The West Fraser Log Sort has recently been purchased by Don Hull and Sons in Terrace, although they have a number of environmental issues to address.<sup>35</sup>

#### **Future Market Trends:**

As bleak as some of these details may appear, it is important to keep in mind that this is just a snapshot of today. As can be seen by the past 5 years, changes in this industry can occur very rapidly based on politics and corporate decisions. Certainly much hinges on the settlement of Native treaties and all efforts should be directed towards this front. With appropriate focus by the 'powers that be', both public and private, the forest industry in the North Coast could be revitalized and the opportunities listed below would be real and viable. Ultimately though, the success of any business in this industry will be market driven and the potential operators in the North Coast plan area are wise to this fact.

According to the Canadian Forest Service study, market success will require accurate strategic development, tight cost control in manufacturing and product positioning, nimble management,

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<sup>34</sup> North Coast Timber Supply Area – Rationale for AAC Determination, Effective January 2001.

<sup>35</sup> Pers. Comm. With Karen Martin from Ridley Island Log Sort, September 10, 2003



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complementary public policy and a degree of serendipity. Manufacturers can assume that the demand for industrial timber will increase with forecasted rising incomes, population growth, and the inherent renewable nature of timber. However, social concerns on commercial forestry practices, market segmentation, competing substitute products, rapid technological change, and highly competitive markets may temper this demand.

Businesses must make effective responses to the market, wood supply, pricing challenges and the real costs of labour in order to build on the existing strengths in the industry. Developing and implementing these will not be easy and there is no easy formula for success. However, research may make it easier for industry to promote sustainable growth in secondary manufacturing.<sup>36</sup>

With the solution of some of the above-mentioned issues, the secondary manufacturing sector is an area of promise.

This sector of the BC forest industry consists mainly of small and medium-sized enterprises that rely on easy-to-saw wood such as pine and spruce.

In 1999, the number of firms involved in secondary manufacturing in BC was estimated at 774 and the industry employed over 20, 000 workers.<sup>37</sup>

There are opportunities for smaller value-added operations to prosper if they can be provided with certainty of fibre supply on a long-term basis. In addition, numerous First Nation communities on the North Coast are getting involved in forestry. The opportunity rankings reflect small to medium business opportunities in value-added forestry.<sup>38</sup>

### Opportunities Ranking

	1	2A	2B	3A	3B	4A	4B	Total
Dry kiln and planer	4	2	2	3	3	3	3	20
Shakes and shingle mill	4	2	2	2	3	3	3	19
Dry land and water-based log sorts	4	3	2	3	3	2	2	19
Reman	6	2	2	2	2	2	2	18
Log homes	4	2	1	2	3	3	3	18
Wooden giftware	2	2	2	2	3	3	3	17
Doors and doorframes	4	2	2	2	2	2	2	16
Window mouldings	4	2	2	2	2	2	2	16
BC Charcoal	4	2	2	2	1	2	2	15

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<sup>36</sup> [http://www.pfc.forestry.ca/news/InfoForestry/Aug2002/ifsecondary\\_e.html](http://www.pfc.forestry.ca/news/InfoForestry/Aug2002/ifsecondary_e.html) - The Economic Contribution of Secondary Manufacturing in BC's Forest Industry.- August 2002

<sup>37</sup> [http://www.pfc.forestry.ca/news/InfoForestry/Aug2002/ifsecondary\\_e.html](http://www.pfc.forestry.ca/news/InfoForestry/Aug2002/ifsecondary_e.html) - The Economic Contribution of Secondary Manufacturing in BC's Forest Industry.- August 2002

<sup>38</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



### 7.1 Opportunity: Kiln and Planer Mill

#### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity:** - **Kiln and Planer Mill** - The construction and economically viable use of a kiln and related planer mill has the potential to create new direct forestry jobs on the North Coast. In addition, a kiln can provide numerous spin-off opportunities for local small business operators<sup>39</sup> that are interested in manufacturing products, such as, doors, mouldings, giftware, guitar tops etc.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?		X			
Can attract investors?			X		
Need joint venture partners?		X			
Project champions available?	X				
Practical, affordable opportunity?			X		
Community support?	X				
Community / Regional capacity?	X				
Identified market demand?			X		
Growth sector? Sustainable?			X		
Skilled labour in place?	X				
Physical infrastructure in place?	X				
Can be financially self - sustaining?		X			
Environmental issues to deal with?		X			
Need permitting, certification?		X			
Activity has cultural significance?					X
Reasonable startup / market entry?			X		
Builds on existing business base?	X				
Overall chances of success?		X			
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?	X				
Ability to deliver revenues?		X			
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?		X			
Can deliver short - term results?			X		

**Why this initiative makes good economic and business sense –** There are a number of small forestry businesses that could use kiln-dried lumber and a planer mill to provide a raw material input into value-added manufactured products, such as, decorative doors, desks, mouldings, giftware, furniture components, etc. Kitwanga Lumber had an excellent market for kiln-dried lumber in the US, Canada, Japan and the Middle East<sup>40</sup>. These markets will be accessible by North Coast producers.

<sup>39</sup> Real Market Loggers have a local association with more than 20 members that are involved in small business forestry.

<sup>40</sup> G.E. Bridges and Associates Inc., March 1997, Skeena-Bulkley Region Value-Added Opportunities Study.



### ***Additional Details:***<sup>41</sup>

#### **Location Analysis:**

The most practical location for a dry kiln is in close proximity to existing or potential producers of lumber. In addition, there are a number of infrastructure requirements that must be in place:

- Availability of natural gas
- Access to power
- Access to water

Likely sites that meet the above criteria are Ridley Island, particularly adjacent to Ridley Island Log Sort or Prince Rupert Industrial Park.

#### **Business Analysis:**

- Recommended Ownership Structure: the ownership structure is highly dependent on the scale of operation. A major industry player, such as, New Skeena Forest Products, Interfor or West Fraser, could develop a large-scale operation. A smaller scale operation that supports many small users could be set up as a cooperative where each member would own a share in the cooperative. A cooperative might also function as a marketing agency for its members. A First Nation joint venture could be established between a First Nation forestry company and a major industry player.
- Start-Up Costs: from \$130,000 for a small-scale modular kiln to \$2,500,000 for a large-scale kiln with a planer mill<sup>42</sup>.
- Anticipated Revenues and Expenses: a small scale operation will generate approximately \$250,000 to \$500,000 per annum in revenue while a large scale operation will generate \$5.0 million plus per annum.
- Projected Employment: a small-scale operation will create 3 to 5 direct jobs and 10 to 15 indirect jobs. The job skills required range from labourer to operator. A large-scale operation could employ 25 to 50 employees depending on the size with 50 to 100 indirect jobs. The indirect jobs relate to the entire value chain including, timber harvesting, road building, transportation (log barging, towing and sorting), silviculture, equipment supply and maintenance.

#### **Environmental Analysis:**

This opportunity will require a range between 10,000 cubic metres of fibre for a small-scale operation to 150,000 cubic metres plus for a large-scale operation. The environmental impact will be low if the fibre requirements replace raw log exports or lower value timber that is already being harvested. There might be an opportunity to increase jobs and income by moving up the

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<sup>41</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003

<sup>42</sup> Northwest Planning Group, August 1998, Pre-Feasibility Study for a Dry Kiln in the City of Prince Rupert, p. 8.



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value chain. Conversely, if the fibre required taking advantage of this opportunity is not available within the existing annual allowable cut, then the environmental impacts will be significant.

### Policy Analysis:

Issues around policies are already addressed above.

## 7.2 Opportunity: Log Sort<sup>43</sup>

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Log Sort** - Log sorting is undertaken to ensure the efficient allocation of timber harvests to end use (timber processing facility). On the North Coast log sorts are used primarily for logs that are exported to other countries or regions within the Province. Log sorts do have an opportunity to foster down stream activities within the North Coast Region.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?			X		
Can attract investors?		X			
Need joint venture partners?			X		
Project champions available?	X				
Practical, affordable opportunity?		X			
Community support?	X				
Community / Regional capacity?	X				
Identified market demand?			X		
Growth sector? Sustainable?		X			
Skilled labour in place?	X				
Physical infrastructure in place?	X				
Can be financially self - sustaining?		X			
Environmental issues to deal with?	X				
Need permitting, certification?	X				
Activity has cultural significance?					X
Reasonable startup / market entry?		X			
Builds on existing business base?	X				
Overall chances of success?	X				
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?		X			
Ability to deliver revenues?		X			
Provides economic diversification?			X		
Provides training, capacity building?		X			
Can deliver quantifiable results?		X			
Can deliver short - term results?		X			

**Why this initiative makes good economic and business sense** – The market demand on the North Coast is being driven by the upswing in raw log exports with some log sorts being used by major licensees, such as Interfor, to supply their mills in other regions.

<sup>43</sup> Reference: MSRM Building Block Document.



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### **Additional Details:<sup>44</sup>**

#### **Location Analysis:**

The most practical location for a log sort is in close proximity to logging operations and transshipment points. Water log sorting is most frequently undertaken at the log dump of a coastal logging camp (these camps move from location to location).

#### **Business Analysis:**

- Recommended Ownership Structure: Log sorts are generally owned by small to medium business interests. There is also an opportunity for First Nation ownership of these enterprises.
- Start-Up Costs: \$ 200,000 up to \$1,500,000 depending on the mix of log sorting and log processing.
- Anticipated Revenues and Expenses: Revenues can range from \$250,000 for a small operation that handles approximately 25,000 to 30,000 cubic metres to \$1.0 million for an operation that sorts more than 100,000 cubic metres. Annual maintenance starts at \$30,000 per annum for small-scale operations.
- Projected Employment: Average direct employment for a log sort is 13 with an average payroll of \$720,000. Indirect jobs can be as high as 50 if there are local value-added processing activities. The indirect jobs relate to the entire value chain including, timber harvesting, road building, transportation (log barging, towing and sorting), silviculture, equipment supply and maintenance.

#### **Environmental Analysis:**

There is public and regulatory agency concern for environmental effects (marine and foreshore) of log sort operation and need for mitigation. There is the potential for conflicts with other resource values, such as, tourism and recreation.

Mitigation options include the establishment of good communications between local tourism and recreation users to eliminate potential conflicts. There is also a need to have carefully planned out forest practices to avoid conflicts. Permission should be obtained from the First Nation in whose territory the operation is being contemplated.

#### **Policy Analysis:**

Issues around policies are already addressed above.

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<sup>44</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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### 7.3 Opportunity: Cedar Shake and Shingle Mill<sup>45</sup>

#### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity:** - Cedar Shake and Shingle Mill - The development of cedar shake and shingle mills adjacent to log sorts and/or logging operations have the potential of generating additional employment and income opportunities for the North Coast and a value-added opportunity from salvaged cedar.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?			X		
Can attract investors?			X		
Need joint venture partners?				X	
Project champions available?	X				
Practical, affordable opportunity?		X			
Community support?	X				
Community / Regional capacity?	X				
Identified market demand?			X		
Growth sector? Sustainable?		X			
Skilled labour in place?	X				
Physical infrastructure in place?	X				
Can be financially self - sustaining?		X			
Environmental issues to deal with?			X		
Need permitting, certification?			X		
Activity has cultural significance?					X
Reasonable startup / market entry?		X			
Builds on existing business base?	X				
Overall chances of success?		X			
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?			X		
Ability to deliver revenues?		X			
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?			X		
Can deliver short - term results?			X		

**Why this initiative makes good economic and business sense –** there is currently an excellent domestic market for this product mix in British Columbia and Alberta. There is a significant future market potential in the US Southwest particularly in Texas where a strong market already exists depending on the outcome of the softwood lumber agreement. Prince Rupert can provide regional producers with a significant competitive advantage in Asian export markets vis-à-vis the interior mills due to lower transportation costs.

<sup>45</sup> G.E. Bridges and Associates Inc., March 1997, Skeena-Bulkley Region Value-Added Opportunities Study.



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### **Additional Details:<sup>46</sup>**

**Location Analysis:** The most practical location for a cedar and shake mill is in close proximity to a cedar mill. The only significant infrastructure requirement is access to a power supply. There are a number of suitable locations including, Ridley Island, Prince Rupert Industrial Park, Wolf Creek Log Sort. This type of operation, which is relatively portable, could be set up adjacent to First Nation logging operations throughout the North Coast.

### **Business Analysis:**

- Recommended Ownership Structure: small business owners operating as corporations, proprietorships or joint ventures generally run these operations. There is an excellent opportunity to First Nation entrepreneurs to get involved in this manufacturing business.
- Start-Up Costs: from \$100,000 for a small scale operation to \$1.0 million plus for an operation that has the capacity to produce 80 squares of standard grade cedar shingles and 20 squares of mill grade shingles per day.
- Anticipated Revenues and Expenses: with general low cost inputs these companies earn good margins with revenue ranging from \$250,000 for a small operation to \$1.0 million plus for a large company.
- Projected Employment: direct employment from this type of enterprise ranges from 5 to 20 jobs depending on the scale.

### **Environmental Analysis:**

This opportunity has a low environmental impact because it primarily uses waste materials from other larger operations. This type of enterprise adds value to the forest resource.

### **Policy Analysis:**

Issues around policies are already addressed above.

## **7.4 Forestry Action Plan and Role Modelling**

The Action Plan below encompasses all the previously discussed forestry sector opportunities. The commonality of actions needed to initiate economic activity in any of the forestry sectors is highly similar.

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<sup>46</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



### ***Forestry Opportunities Action Plan –***

1. Identify an individual, likely an economic development officer with PREDC, to take charge of the forestry initiatives
2. Continue to monitor the situation regarding the softwood lumber agreement, stumpage rates, Order-In-Council, and Treaty Settlements, to determine when best efforts and energies should be employed by these opportunities
3. Develop a liaison with the nearest relevant Ministry of Forests contact so that acquisition to a fibre supply can be efficiently achieved
4. In the meantime, identify and list possible champions, such as Ridley Island Log Sort or Don Hull and Sons, who may be able to take the lead in the opportunity. Develop a working relationship with potential champions
5. Develop and maintain an updated inventory of existing operators and small value-added businesses that may be integral in the opportunity
6. Attend relevant public processes such as the LRMP, to determine local issues and solutions
7. Investigate the market by keeping abreast of the latest economic information and attending relevant trade shows if possible.

### ***Recommendations to LRMP Table***

- Ensure appropriate land base is available for when the market is supportive for these opportunities to move forward.
- Encourage the utilization of existing facilities that are currently inactive.
- Support the development of partnerships to increase the likelihood of these opportunities moving forward.
- Partnerships, where viable, with First Nations, should be supported.
- Partnerships with the TFL are recommended ensuring access to fibre.

### ***Role Modelling***

The North Coast forest industry is faced with some challenges. Role models that can be considered in view of these options listed above have already existed in the region but due to the various barriers currently in place, have had their opportunities limited. A good example is



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Ridley Island Log Sort. An article in the December-January 2000 issue of Sawmill and Logging Journal featured Ridley Island Log Sort. Below is a highlight from that article<sup>47</sup>:

“People are developing markets for components for instruments such as guitar, cello and piano from cedar and spruce and salvaging cedar shakes and shingles. The sales improve utilization from old stands while creating high value products... The Ministry of Forests is offering sales up to 1,000 cubic metres under the small scale log salvage program to challenge entrepreneurs to find uses for cedar killed several decades ago by industrial pollution from the Anyox metal smelter. Parts of the cedar remain salvageable for uses’ ranging from shakes and shingles to artistically carved doors.... Hopes are the 40 hectare parcel can be harvested sustainably and integrated with a small milling operation. Ridley Island Dry Land Sort Inc. has been operating independently near Prince Rupert since 1994. Its partners, Des Shearing and Karen Martin, operate a versatile and flexible operation, and an important one in the local economy, sustaining about 20 jobs. The operation buys and sells logs, does custom sorting for clients, and includes a shingle plant, cedar mill and whole log chipper. The company plans to utilize wood from a recently awarded value-added timber sale. They also have plans to add breakdown equipment, resawing capability and a kiln to extract maximum valued products...”

Shearing clearly notes in the article that the volatile markets, the cost of accessing fibre and the need for the Asian market are all paramount in their business. Since the time of the article and existing issues, they have lost their access to fibre from the majors and are reduced to just a log sort, just surviving and relying on the OIC to keep them afloat.

Blaine Dieter is another entrepreneur in the North Coast, also mentioned in the article, who has managed to stay afloat. His diversified custom product lines are supported primarily through a word-of-mouth network. It ranges from fine stock for canoes and kayaks in up to six metre lengths, to yellow cedar panelling. Final notes from that article provide the following regarding his operation:

“A wood finishing shop includes a portable planer and tilting arbour saw. An Ebec Lumber Dryers kiln runs along one wall of the mill building. It's augmented with an auxiliary fan for more uniform drying of pieces up to 7.3 metres long and it runs on electricity. "It's the only kiln on the north coast," he adds. Dieter believes if the resource is managed properly, there's a future for small scale innovative operations like his despite fibre access and quality issues.”

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<sup>47</sup> [http://www.forestnet.com/archives/dec\\_jan2000/small\\_mill\\_operations.htm](http://www.forestnet.com/archives/dec_jan2000/small_mill_operations.htm) - Despite its remoteness, BC's north coast supports a variety of small wood manufacturing enterprises, spurred on by initiative and imagination.



### 8.0 Mining

The Pricewaterhouse Coopers Report on the mining industry in BC for 2002 concluded that even though the mining industry is a significant component of the BC economy at \$4 billion a year, the industry is still shrinking. No new mines have opened in BC since 1998. However, the industry's net income increased in 2002, a tribute to the efficiency of BC operators, and total payments made to the government of \$333 million in 2002 shows that activity is still underway. The industry continues to pay the highest salaries and benefits of any industry, increasing payments to employees to where they now stand at an average of \$89,900 per year.<sup>48</sup>

Additionally, mineral exploration expenditures, an important component of the overall mining industry, are strengthening. Provincial government estimates, which include money spent by junior mining companies as well as the majors, suggested \$60 to \$80 million would be spent on the search for mineral deposits in 2003. This would be an increase from \$40 million spent in 2002 and \$30 million spent in 2001. This is still short however of the \$150 – 200 million per year needed to sustain the industry.

The Liberal government has done much to provide incentive to increase the exploration spending with progressive tax changes; introducing a new energy policy which reflects the future energy potential of coal; greatly improved fiscal management and accountability at the WCB; determination in cutting red tape and the promise to restore balance and common sense to critical land use policies.

This government has also been carrying out a review of offshore oil and gas exploration after a moratorium of over 20 years, as well as reviewing the development of Coal Bed methane and the development of coal power guidelines early in 2003. Most importantly, the mining industry returned to the land use planning tables to participate in finding real solutions to the needs of many interests. In addition, the relationship with First Nations in the treaty process is positive and most mining companies agree that First Nations are part of the solution.

The mining industry can be characterized on the North Coast as a sleeping giant. There is currently very little activity on the North Coast; however, there is excellent potential for precious metals, offshore oil and gas, and value-added activity, such as, metal refining. There has been an upsurge in exploration, since 2001 with expenditures rising exponentially. Increased exploration in the Region will eventually produce results. The Province has set a target date of 2005 to begin seismic activity in the Queen Charlotte Basin. The opportunities analysed in this sector of the

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<sup>48</sup> [http://www.mining.bc.ca/files/industry\\_news/000054.html](http://www.mining.bc.ca/files/industry_news/000054.html) - Mining Industry Response to PricewaterhouseCoopers' Report on the Mining Industry in BC - 2002



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Report provide an excellent cross section of activities ranging from metal mining exploration and development, to metal refining, to offshore oil and gas development.

### Opportunities Ranking

	1	2A	2B	3A	3B	4A	4B	Total
Metal mining	6	3	2	3	1	3	2	20
Magnesium metal processing	6	3	2	3	1	2	1	18
Offshore oil and gas	6	3	1	3	1	2	1	17
Construction aggregates	2	2	2	2	3	2	2	15
Limestone	2	3	2	2	2	2	2	15

## 8.1 Opportunity: Mining Exploration and Development<sup>49</sup>

### *Market Analysis*

#### **Current Market Demand:**

Metal pricing is commodity-based and is subject to current supply and demand conditions in the market place i.e. during times of uncertainty (war, high inflation) individuals prefer to hold gold or other precious metals, therefore, precious metal prices rise. As mentioned above, mining in BC has suffered a decline over the past decade with policies that were put in place by the old NDP government. However, now that the Liberal government has made concerted effort to help stimulate the mining industry, the future is looking more promising. Currently, exploration investment in BC has been on the rise.

BC is regaining its reputation as one of the most positive mineral exploration and mine development locations in North America. Investor confidence is on the upswing as more investors see the positive changes in government policies, however it will take some time before the mineral exploration catches up to old levels.

Appliances, cars, and even the computers that drive the information age depend on the aluminium, steel, and precious metals that the metals and mining industry provides. Consumer demand in north America is stronger than ever. The latest news on the metal mining industry indicates that metal prices are on a strong increase. Gold, silver, palladium and platinum are some of the precious metals that are showing a strong presence internationally.

#### **Future Market Trends:**

The future for the mining industry in BC is bright. Changes in government policies are working towards encouraging exploration and investment. Although it takes some time for policy

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<sup>49</sup> Reference: MSRM Building Block.



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changes to take effect, already BC is seeing a slight growth in exploration and a continued optimism.

Each year, nearly 47,000 pounds of materials must be mined for each person in the U.S. to maintain their standard of living. Globally, the need for commodities is under the constant influence of supply and demand. With significant investment going towards war armoury and resources, and with no real end in sight to the number of global conflicts, the need for metals will continue. It is difficult to predict exactly what will unfold with current political powers, but certainly keeping a close eye on the markets and being able to compete with less costly operations internationally, will be essential for any investor being involved in the industry.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Mining Exploration and Development** - Mineral exploration and development of the highly prospective North Coast LRMP has continued for over 100 years. A wide range of metallic minerals: gold, silver, copper, lead, zinc and molybdenum, has been produced at Anyox, Alice Arm, up the Kitsault River and on Porcher Island. There are 27 known deposits with metallic reserves. The success of mining exploration is a function of easy access to unprotected land within the North Coast LRMP and certainty that economically viable deposits can be exploited.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	x				
Can attract investors?	x				
Need joint venture partners?			x		
Project champions available?			x		
Practical, affordable opportunity?					x
Community support?			x		
Community / Regional capacity?		x			
Identified market demand?	x				
Growth sector? Sustainable?		x			
Skilled labour in place?		x			
Physical infrastructure in place?					x
Can be financially self - sustaining?	x				
Environmental issues to deal with?	x				
Need permitting, certification?	x				
Activity has cultural significance?					x
Reasonable startup / market entry?				x	
Builds on existing business base?		x			
Overall chances of success?		x			
OPPORTUNITY DELIVERABLES					
Job creation potential?	x				
Secondary employment creation?	x				
New venture creation?	x				
Ability to deliver revenues?	x				
Provides economic diversification?	x				
Provides training, capacity building?			x		
Can deliver quantifiable results?	x				
Can deliver short - term results?					x



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**Why this initiative makes good economic and business sense** – Changes in the policies and regulations surrounding the mining industry are aimed to stimulate this sector. Consumer demands for goods are forever on the increase and international wars continue to demand the need for resources to feed this ever hungry political machine. Post war countries will also need rebuilding which require various forms of metal goods.

### Action Plan –

1. Continued support and encouragement of the mining sector should occur through outreach and public communications

### *Recommendations to LRMP Table:*

- Zone for appropriate mining exploration and development, as well as access for the high probability sites.
- Consider visual impacts of mining exploration and development on other resource users (i.e. Cruise ships).
- Develop appropriate mitigation to address environmental issues that may arise.

### *Additional Details:*<sup>50</sup>

#### **Location Analysis:**

Potential mine locations cannot be predetermined; therefore, discoveries can be found within all non-protected lands within the North Coast LRMP.

#### **Business Analysis:**

- Recommended Ownership Structure: public corporations that can raise high risk capital in equity markets are the norm in this industry. First Nations have an opportunity to participate in these structures through stock options and/or royalty payments.
- Start-Up Costs: range from \$40 million for a small underground operation to \$500 million for a large open pit mine.
- Anticipated Revenues and Expenses: revenues range from \$27.0 million for a small underground mine to \$232.0 million for a large open pit mine.
- Projected Employment: direct jobs at full operation range from 110 workers for a small underground gold mine to 405 jobs at a large copper mine. There are significant indirect jobs created by this industry with a multiplier impact of approximately 2.0.

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<sup>50</sup> Extracted from original NCLRMP Report by Robinson Consulting, June, 2003



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### **Environmental Analysis:**

There are numerous issues and potential impacts re: mining:

- Ground disturbance, loss of tree and plant cover
- Water use and discharges from surface erosion, product washing
- Ground water impacts
- Fish and wildlife habitat impacts
- Acid rock drainage issues
- First Nation rights
- Tourism and recreational impacts
- Visual aesthetics impacts
- Truck traffic on resource roads shared by others

Mining companies have to adopt sensitive environmental practices during exploration, development and operation for the mining and metallurgical processes through to the final decommissioning phases and land reclamation phase over the entire life cycle of the project.

Mining operations represent temporary land use – when operations are completed, reclamation can restore the land to its earlier condition and in some cases create higher-valued land uses, such as, enhanced wildlife habitat.

### **Policy Analysis:**

Certainty of access to mineral resources outside of protected areas must be maintained. Investors must have assurances that exploration discoveries will gain regulatory approval to develop mines within a reasonable timeframe.

### **Action Plan:**

Mining exploration and development is a private sector driven activity that responds to a favourable regulatory environment, access to risk capital, and competitive tax regimes *vis-à-vis* other provincial or global jurisdictions.

### ***Recommendations to LRMP Table***

- Zone for appropriate mining exploration and development and allow access to high probability sites.



### 8.2 Opportunity: Magnesium Metal Processing<sup>51</sup>

#### *Market Analysis:*

##### **Current Market Demand:**

Magnesium is best known for its low density and high strength-to-weight ratio, making it suitable for a wide range of applications. The metal is recyclable. When used as a structural material, magnesium is alloyed with several other elements, such as aluminium, zinc, manganese and rare-earth metals. When alloyed, magnesium's properties make it the material of choice for pressure die-casting items such as lightweight automobile parts, portable tools and sports equipment. Since 1982, the global primary magnesium consumption has consistently maintained a 7 percent annual growth rate and the growth in demand for magnesium is expected to be well over 6 percent per year over the next ten years.<sup>52</sup>

The most critical step in production of low-cost magnesium is making a pure anhydrous  $MgCl_2$  feed for subsequent fused salt electrolysis. The Magnola process, a proprietary process developed by Noranda Inc., allows magnesium metal to be extracted from materials containing magnesium, such as asbestos tailings. This process has considerable economic advantages over other processes due to: its simplicity; its use of low cost abundant Mg-containing waste material as a feed stock; and its recycling of chlorine produced by electrolysis within the Magnola process. A 200-ton per year fully integrated pilot plant was built and operated in Valleyfield, Quebec, which proved the technical and economic aspects of the process.

##### **Future Market Trends:**

Demand for magnesium is forecasted to grow to more than 900,000 tons by 2009. As well it is predicted that the demand for magnesium will increase to five million tons a year over the next 15-20 years, driven by supercharged demand growth expectations in the automotive parts. Some promoters of the metal call it the "green" metal; others call it the metal of the 21st Century. Those claims are based on magnesium being the lightest of all the structural metals. It is about one-third lighter than aluminium and one-quarter the weight of steel.

Although the principal growth sector for magnesium metal is in the die castings sector, the largest end-use for magnesium is as an addition to aluminium alloys. In 2000, Western World shipments of magnesium to the aluminium industry totalled an estimated 165,100t, accounting for 45% of the total shipments that year.<sup>53</sup>

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<sup>51</sup> References: MSRM Building Blocks; PREDC Data.

<sup>52</sup> <http://www.nrcan.gc.ca/mms/canmet-mtb/mmsl-lmsm/rnet/indart-e.htm> - Magnesium from Asbestos Tailings, July 1999

<sup>53</sup> <http://www.roskill.com/Reports/magnesium> - Magnesium: Fragile Supply and Demand Balance



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The supply/demand balance for magnesium is still fragile. If demand continues at current rates the possibility, in the short term, is for supply shortages and rising prices. These, in turn, could reduce confidence in the use of the metal in volume car manufacture. The industry still has to resolve the conundrum of establishing a secure supply base, and providing a return for investors in new plants, while maintaining a competitive price for magnesium.<sup>54</sup>

### **Role Modelling:**

Volkswagen is a partner in the Dead Sea Magnesium Plant in Israel. Ford had invested in the Australian Magnesium Plant in Queensland, which although the partnership fell through, the plant appears to have moved ahead with other partners.

Other auto manufacturers are establishing long-term supply agreements with magnesium companies.

### **DEAD SEA MAGNESIUM LTD.:**

Website: <http://www.israelchemicals.co.il>

Israel Chemicals Ltd. (ICL) is a global group engaged in the development manufacture and marketing of [fertilizers](#), [industrial products](#), [performance products](#) and [metallurgy](#) of which Dead Sea Magnesium Ltd. is one of the subsidiaries.

ICL's metal magnesium operations account for approximately 9% of western world primary magnesium consumption. ICL produces pure magnesium and magnesium alloys in a manufacturing facility located in Israel, through a joint venture with Volkswagen AG (35% ownership) of Germany. ICL's magnesium plant is located adjacent to other ICL facilities at Sdom on the Dead Sea, and relies for many of its services, including electricity, on its neighbours.

The relationship with the other facilities at Sdom is synergistic, with carnallite-containing brines received from the potash production process, and the sylvanite remaining after the extraction of the magnesium sent for use in potash production.

Additionally, chlorine, which is a by-product of the magnesium production process, is used for the production of bromine.

Each litre of Dead Sea water contains 170 gms of Magnesium Chloride. The Company uses vast solar energy pans to evaporate these brines to 33% concentration. Magnesium Chloride is obtained through further dehydration by heat and flaking/pelletising processes. At about 47% concentration, their material is white, is consistently of good, stable quality.

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<sup>54</sup> Ibid.



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### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Magnesium Metal Processing facility utilizing the magnesium stockpiles from the Cassiar Mine.** - Canada is a world-class producer of all the major non-ferrous metals: aluminium, copper, lead, magnesium, nickel and zinc. Magnesium metal processing could be developed on the North Coast to electrolyze magnesium chloride brine from the Cassiar Mine tailings in Cassiar.

The Cassiar asbestos deposit was the first major orebody discovered in the Cassiar area. The mine produced 37 million tonnes of 7.23 per cent asbestos fibre during open pit mining between 1953 and 1990. Throughout the 90's the mine went through a variety of ownership changes and mergers. In 1999, Cassiar Metals and Mines Inc. and Aluminium Korea Ltd. entered into an MOU for the development of a large scale magnesium metal project. Unfortunately a fire at the end of 2000 destroyed the chrysotile fibre mill building and all production of chrysotile fibre ceased.<sup>55</sup>

The property at Cassiar is maintained in good standing. The concentrator and the air building, along with auxiliary camp facilities, survived the fire. Cassiar Resources Inc. looked at the feasibility of reactivating the chrysotile production facility at Cassiar, but determined that rebuilding the plant is not in the company's current plan. The company is seeking suitable investors and continues to monitor the chrysotile market. In addition, Cassiar Resources Inc. has studied the magnesium production plans and determined that it will not actively pursue Cassiar's magnesium potential for the time being but will monitor developments. The development of hydro-electric resources or the availability of natural gas in northern B.C. would greatly improve the prospects of magnesium production at Cassiar.<sup>56</sup>

The tailings, and the surface and mine host rock, contains approximately 24% magnesium.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?		x			
Can attract investors?			x		
Need joint venture partners?			x		
Project champions available?			x		
Practical, affordable opportunity?				x	
Community support?		x			
Community / Regional capacity?			x		
Identified market demand?	x				
Growth sector? Sustainable?	x				
Skilled labour in place?		x			
Physical infrastructure in place?	x				
Can be financially self - sustaining?	x				
Environmental issues to deal with?		x			
Need permitting, certification?		x			
Activity has cultural significance?					x
Reasonable startup / market entry?				x	
Builds on existing business base?		x			
Overall chances of success?		x			
OPPORTUNITY DELIVERABLES					
Job creation potential?	x				
Secondary employment creation?	x				

<sup>55</sup> <http://www.emr.gov.yk.ca/mining/DepositsandProduction/MineralProperties/PDF2003/cassiar.pdf> -

Cassiar Mine

<sup>56</sup> Ibid.



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<b>OPPORTUNITY REQUIREMENTS</b>	<b>Yes</b>	<b>Probably</b>	<b>Uncertain</b>	<b>Unlikely</b>	<b>No</b>
<i>New venture creation?</i>			x		
<i>Ability to deliver revenues?</i>		x			
<i>Provides economic diversification?</i>	x				
<i>Provides training, capacity building?</i>			x		
<i>Can deliver quantifiable results?</i>	x				
<i>Can deliver short - term results?</i>				x	

**Why this initiative makes good economic and business sense** – Supply of materials is available through the Cassiar mine. This is the number one barrier to successful operations. This sort of facility could prove to diversify the existing economy.

### **Action Plan –**

1. Further investigation into the capability of developing such a facility in the Prince Rupert area is necessary
2. Accessibility of the material from the Cassiar mine will have to be determined
3. Interested champions should be identified
4. Ongoing monitoring of the market will determine the viability

### ***Recommendations to LRMP Table***

- Zone the required area for industrial use.

### ***Additional Details:***<sup>57</sup>

#### **Location Analysis:**

A magnesium metal processing facility requires significant infrastructure including, access to power, heavy industrial land, excellent transportation infrastructure (road, rail and sea), skilled labour force, natural gas and water. The only suitable site for this project in the North Coast LRMP area is Ridley Island.

#### **Business Analysis:**

- **Recommended Ownership Structure:** public corporations that can raise high risk capital in equity markets are the norm in this industry. First Nations have an opportunity to participate in these structures through stock options and/or royalty payments. One way of achieving finance for new projects or expansions is the direct involvement of the automobile manufacturers in the magnesium plant.
- **Start-Up Costs:** costs for manufacturing activities can be separated in three main categories: cost of materials and supplies, cost of fuel and electricity and salaries and wages.

<sup>57</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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Manufacturing costs in this industry are dominated by cost of materials and supplies as analysed in 2001. 83% of the cost is associated with this component. The other two categories share approximately 8% each.

- Anticipated Revenues and Expenses: Prince Rupert Economic Development Commission's technical work provided incomplete information
- Projected Employment: Prince Rupert Economic Development Commission's technical work provided incomplete information.

**Environmental Analysis:** No relevant environmental analysis had been included by Prince Rupert Economic Development Commission's technical work

**Policy Analysis:** No relevant environmental analysis had been included by Prince Rupert Economic Development Commission's technical work

### 8.3 Opportunity: Offshore Oil and Gas<sup>58</sup>

#### *Market Analysis*

##### **Current Market Demand:**

The price of crude oil is the engine that drives the energy industry. In the late 1990s, in the wake of the Asian economic downturn, oil prices sank to \$10 a barrel. The slump drove many small independents into bankruptcy and some larger oil companies into mergers. Subsequently, drilling activities were curtailed, causing a ripple effect: Oil service companies (contract drillers, well maintenance firms, and others) had fewer rigs to service, pipeline and storage companies had less oil and gas to transport and store, and refineries produced less gasoline.

But oil prices soared to more than \$30 a barrel in 2000 (and again in 2003 in the run up to the Iraq war), and the industry has rebounded. The higher prices have reached most of the industry – producers, refiners, pipeline companies, equipment makers, oil field service providers, and gas station operators – which have all enjoyed new profits. Leading were the world's largest integrated oil companies: Exxon Mobil, Royal Dutch/Shell, and BP. But aggressive independent exploration and production companies such as Apache and Devon Energy have also been well-positioned to take advantage of improving prices.<sup>59</sup>

##### **Future Market Trends:**

Oil and gas pricing is cyclical in nature with long term pricing (over the next 20 years) assumed to maintain a positive trend as world supply shortages become evident.

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<sup>58</sup> Reference: Draft Socio-Economic Impact Assessment Digby Tsimshian Access Project.

<sup>59</sup> <http://biz.yahoo.com/ic/profile/oilint.html> - Energy,



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### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Oil and Gas Exploration and Development** - The current Liberal government is actively supporting the development of an offshore oil and gas industry. This industry has huge land use implications for the North Coast. Prince Rupert and the North Coast, in general, will likely serve as a service centre and staging area for this multi-billion dollar industry.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?		X			
Need joint venture partners?		X			
Project champions available?			X		
Practical, affordable opportunity?			X		
Community support?			X		
Community / Regional capacity?			X		
Identified market demand?		X			
Growth sector? Sustainable?			X		
Skilled labour in place?			X		
Physical infrastructure in place?					X
Can be financially self – sustaining?		X			
Environmental issues to deal with?	X				
Need permitting, certification?	X				
Activity has cultural significance?		X			
Reasonable startup / market entry?				X	
Builds on existing business base?		X			
Overall chances of success?		X			
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?		X			
Ability to deliver revenues?			X		
Provides economic diversification?		X			
Provides training, capacity building?		X			
Can deliver quantifiable results?		X			
Can deliver short – term results?					X

**Why this initiative makes good economic and business sense** – The Liberal Government is supporting the development of this industry and it would be better to be involved at the beginning than to wait until larger groups come and control the business potential.

### **Action Plan –**

1. The development of a socio-economic impact assessment is the starting point for pursuing offshore oil and gas opportunities. UNBC is currently in an RFP process to complete this work over the next 6 months.
2. The next step will be dissemination of the study findings
3. Creation of regional committees to begin a planning process to ensure that the economic opportunities from offshore oil and gas development are maximized



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### *Recommendations to LRMP Table*

- Follow through as per the action plan.
- Encourage partnerships with First Nations.

### *Additional Details:*<sup>60</sup>

#### **Location Analysis:**

While exploration and development activities occur offshore there will be numerous opportunities for service industries to be located throughout the North Coast LRMP area. A short list of potential activities is as follows:

- Prince Rupert Airport: helicopter pads, maintenance and warehousing to service rigs.
- Prince Rupert Industrial Park: fabrication shops, maintenance facilities, storage and warehousing
- Fairview Terminal: loading area for supply vessels
- Ridley Terminal: potential LNG plant and/or petro-chemical industry
- First Nation villages: emergency response team locations

#### **Business Analysis:**

- Recommended Ownership Structure: large multi-national corporations dominate the oil and gas industry. First Nation participation may be possible through stock options or royalty agreements.
- Start-Up Costs: This is a multi-billion dollar industry that commits \$100's of millions of dollars towards exploration.
- Anticipated Revenues and Expenditures: Exxon-Mobil spent more than \$3.0 billion in Hibernia.
- Projected Employment: direct jobs at full production are estimated to be 4,500 province wide with 1,000 plus in the North Coast Region. There are large indirect jobs created by this industry with a multiplier effect of 2.0.

#### **Environmental Analysis:**

There are large environmental impacts that are managed under a multi-jurisdictional framework. A full Federal Environmental Assessment process will be triggered before drilling occurs.

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<sup>60</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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### **Policy Analysis:**

It is critical that the North Coast Region identify socio-economic impacts with a clear understanding of the economic potential that should be aggressively pursued by economic development organizations in First Nation and non-First Nation communities. In addition, it is imperative that the North Coast LRMP considers the land-based requirements to meet the needs of the entire oil and gas cluster to ensure that the socio-economic benefits are maximized for the North Coast.



### 9.0 Tourism and Recreation

Tourism is the second largest industry in BC at \$9.2 billion and continues to grow. It must be stated upfront however, that to call tourism an industry is a misnomer since tourism as a sector of the economy embraces numerous industries, such as hospitality, accommodation, food and beverage, etc... For this reason and for others, it is not a simple sector as may be assumed looking from the outside in. However, it holds great potential for diversifying the economic base of a community, region or area.<sup>61</sup>



The sector is responsible for the employment of over a quarter of a million British Columbians in jobs that range from short-term to life-long careers. Many of the 17,000 tourism businesses are family-owned and operated, in communities throughout the province, and employ local residents. Globally, tourism is the world's largest sector. Tourism drives economic development. Tourism jobs and businesses are often created in the areas that most need economic growth.<sup>62</sup>

Understanding the sector and the clientele is important if success is to be experienced. There have been and continue to be a number of operators in any given area.

Low success rates in new businesses within the sector have been experienced. This is not always due to inadequate business planning or management skills. It also occurs because the sector is inherently affected by factors outside of one's circle of control, such as changes on global and local levels, like the economy or specific events.

Tourism is one of the few good news stories for the North Coast Region. Tourism accounted for 10 percent of the after-tax income among basic sector employers in Prince Rupert<sup>63</sup>. This percentage is expected to grow exponentially as the Port of Prince Rupert and the City of Prince Rupert complete the cruise ship dock for the 2004 season. This infrastructure development is generating a tremendous amount of interest and investment in new tours that will take advantage of the influx of cruise passengers over the next decade.

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<sup>61</sup> MTTC Tourism Sector Development and Marketing Agency, Synergy Management Group Ltd, October 2002

<sup>62</sup> Tourism Industry Opportunities and Challenges, Council of Tourism Associations of BC, 2002

<sup>63</sup> Prince Rupert Economic Development Commission, July 2002, "A Socio-Economic Impact Analysis of Skeena Cellulose Inc." p.1.



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The most successful tourism businesses are those that respond to the challenge through the use of technology, innovative marketing programs, better training of staff and a genuine understanding of customers/guests. The differences in travel patterns in this new century will be more related to what consumers are seeking in a travel experience than in how they travel. The new tourist is experienced, more flexible, independent, quality conscious and harder to please.

The trend toward a small number of large operators and a large number of small niche tour operators is well entrenched on a national level. Within the tourism sector, there is a wide range of occupations that require a variety of skills and training, and earnings reflect these differences. Resident travel makes up a significant portion of tourism activity and is impacted by how well the provincial economy is doing.

The main challenges to tourism and economic development in the region will continue to be the lack of infrastructure for outlying areas (both hospitality and basic infrastructure), the lack of community/political support, and land and resource management concerns as use expands.<sup>64</sup>

### *Opportunities Ranking*

	<b>1</b>	<b>2A</b>	<b>2B</b>	<b>3A</b>	<b>3B</b>	<b>4A</b>	<b>4B</b>	<b>Total</b>
Hut-to-Hut Touring	2	2	3	2	3	3	3	18
Wildlife/Natural History: Marine	4	2	3	2	2	2	2	17
Ocean Kayaking	2	2	3	1	3	3	3	17
Wildlife/Natural History: Land	2	1	2	2	3	3	3	16
Hiking	2	2	2	1	3	3	3	16
Heritage/Culture	2	1	2	2	3	3	3	16
Mountain Biking	1	2	2	1	3	3	3	15
Marine Cruising	4	3	2	2	1	1	1	14
Destination Lodge Resorts	4	2	2	2	1	2	1	14
Ski Touring	1	2	2	1	2	2	2	12
Air Tours	2	2	3	2	1	1	1	12

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<sup>64</sup> Clover point Cartographics Ltd. et al, March 2000, Forest and Fisheries Tourism Opportunities Study for the North.



### 9.1 Opportunity: Ocean Kayaking and Hut-To-Hut

#### *Market Analysis*

##### **Current Market Demand:**

British Columbia is recognized as the top province in Canada for kayaking. Hut-to-Hut is very popular in Alaska and Europe, but there are currently no offerings on the North Coast. Hut systems can span a range of development concepts, from high-cost, high-comfort facilities that are almost mini-lodges to very rustic alpine huts.

Potential developers must carefully assess the marketability of this opportunity. Consideration has to be given to intended user groups, as well as hut ownership and management.

Ocean kayaking is carried out along shorelines to shallow coves and rocky coasts that cannot otherwise be reached. It generally requires a good fitness level, and has its strongest appeal with younger travellers.

Ocean kayaking is an increasingly popular sport, with links to products such as marine and land wildlife/natural history, hut-to-hut, mothership adventures, hiking and specific interest tours (hotsprings, cultural, circuits). Potential locations range from the front country to the remote. Facility requirements range from rustic to full service. Duration of stay can be up to two weeks.

In 2000, there were between 2 and 4 companies that organized kayak expeditions on the North Coast and this was expected to rise if use trends exhibited in the southern coast continued, which they have.

Displacement of kayakers from the south coast to more remote areas will put pressure on the North Coast. To ensure the desired experience is not compromised through increased usage, the carrying capacity and/or Limits of Acceptable Change should be established at popular use sights.

The impact of hut-to-hut development and mothership on the feeling of remoteness should also be assessed before opportunities are pursued in those areas.

A weakness for the North Coast is the cost of air travel to Prince Rupert and cost to access many of the more remote areas with superb kayak-linked recreation features.

Weather is a further constraint and this is where the linkage to hut-to-hut and the mothership product has its strength.



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## Economic Development Action Plan

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Market trends are summarized in the following table:<sup>65</sup>

<b>Kayaking Camp/Hut</b>	
<b>Market Segments</b>	Enthusiast Participant
<b>Market Profiles</b>	2/3 baby boomers Even split male and female Travel in couples or friends Almost all from Canada or US Heavy reliance on resident market Europe small , but growing, market BC most popular kayaking area in Canada
<b>Market Demand</b>	Currently un-quantified in BC Increasing participation levels Increased accessibility to “participants” through equipment and technology advances
<b>Market Trends</b>	Increasing access to backcountry Hut-to-hut or hut systems Increased demand for shorter trips Mothership kayaking Multi-activity trips Balance between wilderness & access High level of unguided use Increased licensing fees Emergence of DMOs in many BC communities as a way to market
<b>Greatest Market Potential</b>	BC Regional/short-haul North America
<b>Market Barriers</b>	Airfares to and from staging area Limited marketing budget Limited cooperative marketing Limited access to marketing expertise Difficulty in arranging multiple activities Reliance on direct selling methods

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<sup>65</sup> Building Block - Floating Lodges and Camps, An Economic Profile, July 2002,



# North Coast Land Resource Management Plan<sup>83</sup>

## Economic Development Action Plan

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity:** - *Ocean Kayaking and Hut-to-Hut* – this would involve the management and maintenance of the huts and the running of a kayak business. The closest community would act as a staging area. This is largely undeveloped in the Plan area. Huts allow users to travel without having to have all the equipment they would normally bring for a multi-day excursion. First Nations also may benefit from this opportunity with links to cultural heritage.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?				X	
Need joint venture partners?		X			
Project champions available?				X	
Practical, affordable opportunity?			X		
Community support?			X		
Community / Regional capacity?			X		
Identified market demand?	X				
Growth sector? Sustainable?	X				
Skilled labour in place?			X		
Physical infrastructure in place?					X
Can be financially self - sustaining?				X	
Environmental issues to deal with?		X			
Need permitting, certification?		X			
Activity has cultural significance?		X			
Reasonable startup / market entry?		X			
Builds on existing business base?		X			
Overall chances of success?		X			
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?	X				
Ability to deliver revenues?			X		
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?		X			
Can deliver short - term results?			X		

**Why this initiative makes good economic and business sense** – The coastal area is largely suited for this with its islands, bays, lagoons and fjords. Ocean kayaking is an increasingly popular sport with links to products such as marine and land/wildlife natural interest tours. Huts provide an ecotourism experience with a degree of comfort in a chosen setting, and allow recreationists a warm shelter, making them well suited to this climate. This opportunity has huge growth potential on the North Coast and will require careful planning to avoid resource user conflicts.

### *Additional Details:*<sup>66</sup>

#### **Location Analysis:**

There are a number of factors to consider when determining hut sites and kayaking routes:

- Water safety (protected areas)

<sup>66</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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- Wildlife/marine life areas of interest
- First Nations cultural points of interest
- Natural beauty/visual quality

Given these criteria the best sites are as follows: Porcher Island, Dundas Island, West Pitt Island, The Estavan Group, Princess Royal Island and Pike Island

### **Business Analysis:**

- Recommended Ownership Structure: a cooperative where individual members own huts or kayaks and the cooperative is responsible for marketing, administration, training and quality control.
- Start-Up Costs<sup>67</sup>: a three-hut system will have capital costs of approximately \$250,000 to \$300,000.
- Anticipated Revenues and Expenditures:

Yr 1	\$ 90,000 revenue	\$ 80,000 expenses
Yr 2	\$130,000 revenue	\$110,000 expenses
Yr 3	\$180,000 revenue	\$130,000 expenses

- Projected Employment: 10 jobs initially (2 fulltime/8 seasonal). There is a requirement for significant training and certifications: guiding, customer service, safety and first aid.

### **Environmental Analysis:**

This is low impact non-consumptive tourism. Rustic hut-to-hut would be compatible with other tourism and recreation activities as long as carrying capacity is not exceeded. Visual quality is critical; therefore, potential conflicts with logging operations exist.

Mitigation options include establishing good communications with local recreation users and hut operators to eliminate potential conflicts. In addition, careful planned out forest practices will avoid conflicts. Permission should be obtained from the First Nation community in whose territory the operation is being developed.

### **Policy Analysis:**

A privately owned operation will require tenure issued through BC Assets and Land for a land-based hut. If an operator uses a specific land area as part of a kayaking tour they will be required to obtain a license of occupation from BC Assets and Land. There is a need to protect these operations from competing users that could destroy the wilderness experience.

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<sup>67</sup> Reference: AM West Consultants data files.



### 9.2 Opportunity: Wildlife and Natural History Viewing

#### *Market Analysis*

##### **Current Market Demand:**

Wildlife and natural history viewing are activities closely associated with ecotourism because they are low impact and non-consumptive. They are also linked to many other activities such as coastal cruising, ocean kayaking and sport fishing. Ecotourism is a growth industry, a trend that is expected to continue.

Access and reliability of viewing are key components to the successful development of this product. Participation by First Nations in the development and delivery of aboriginal cultural interpretation is essential. Steps must continue to be taken to encourage more joint ventures and business partnerships. Opportunities include: Wildlife viewing (Grizzly viewing on mainland rivers and inlets, Orcas, and Oolichans and associated prey species); First Nations interpretation; Visits to abandoned aboriginal villages; Interpretive cultural tours; Research ecotourism (where tourists contribute to local species observations & data collection). Strong linkages exist with Marine cruising and ocean kayaking.

##### **Future Market Trends:**

The interest in exploring and learning about a destination and its particular natural, cultural and heritage features is not just limited to pre-packaged ecotourism experiences. Once visitors are "on-site" at a destination, interest in exploration (and being guided) is also strong.



The Canadian tourism industry is likely to witness significant changes in the coming years brought on by factors such as: much improved transportation, vastly improved technology, volatile world economies, and demographic shifts.

Tomorrow's tourists are also changing in terms of their attitudes and expectations. It is expected that there will be greater demand to experience different and educational events. It is believed that there will be more viewing and observing, and increased interest in learning about different cultures. Tomorrow's travellers will be more adventurous and spontaneous, and be interested in high quality, natural settings.



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Another trend is increased interest in travel providing an enhanced sense of achievement in addition to rest and relaxation.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Wildlife and Natural History Viewing** - Wildlife and natural history viewing are activities closely associated with ecotourism because they are low impact and non-consumptive. The North Coast offers tremendous opportunities in this product area. This opportunity has huge growth potential on the North Coast and will require careful planning to avoid resource user conflicts.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?		X			
Can attract investors?				X	
Need joint venture partners?				X	
Project champions available?			X		
Practical, affordable opportunity?	X				
Community support?	X				
Community / Regional capacity?	X				
Identified market demand?	X				
Growth sector? Sustainable?		X			
Skilled labour in place?			X		
Physical infrastructure in place?			X		
Can be financially self - sustaining?		X			
Environmental issues to deal with?	X				
Need permitting, certification?					X
Activity has cultural significance?	X				
Reasonable startup / market entry?	X				
Builds on existing business base?	X				
Overall chances of success?	X				
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?		X			
Ability to deliver revenues?			X		
Provides economic diversification?		X			
Provides training, capacity building?		X			
Can deliver quantifiable results?			X		
Can deliver short - term results?		X			

**Why this initiative makes good economic and business sense** – on the North Coast, wildlife and natural history viewing will often be linked to other activities such as marine cruising, destination lodges, or air touring. Non-consumptive use of wildlife resources has been identified as one of the fastest growing components of tourism around the world. The development of tourism infrastructure such as the cruise dock will generate a positive growth trend in market demand over the next decades with an influx of an additional 150,000 tourists that are motivated to participate in 2 to 4 hour excursions. Wildlife viewing and natural history activities have been projected to grow by approximately five percent annually in BC.



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### *Additional Details:*<sup>68</sup>

#### **Location Analysis:**

There are numerous suitable sites:

- Grizzly Bears: Khutzymateen, Kwinamass River, Granby Bay, Kshwan River, Alice Arm, Stagoo Creek, Green Inlet, Khutze River Estuary
- Black Bears: observed throughout the region
- Kermode Bears: Princess Royal Island, Gribbell Island
- Large Rivers: Skeena, Nass and Ecstall
- Scenic Landscapes: Hidden Inlet, Union Inlet, Wales and Quotton Inlet, Skeena River, south Pitt Island, Princess Royal Lakes, Gribbell Island as well as many outer coast bays and inlets
- Fishing Lakes and Rivers: numerous smaller lakes adjacent to population centres and larger lakes have excellent fisheries

#### **Business Analysis:**

- Recommended Ownership Structure: this enterprise is well suited to First Nation entrepreneurs that have a broad-based knowledge of the traditional history of the region. Native Development Corporations, First Nation Communities, private individuals and corporations could also develop different scales of operation.
- Start-Up Costs: the development of additional transportation and accommodation would be the primary capital requirements. In some cases the costs could be quite small for an individual operator that was in partnership with transportation and accommodation providers. Capital requirement would increase proportionately if an operator intended to offer all services required to operate the venue. In terms of order of magnitude the range would be \$10,000 and up depending on the scale of operation.
- Anticipated Revenues and Expenses: a small operator with one seasonal employee could expect revenues in the \$75,000 to \$150,000 range. Large-scale, full service operators would generate revenues at the \$500,000 plus range.
- Projected Employment: it is possible to create seasonal jobs directly associated with the new venture (1 – 10), however, combined with other tourist activities, wildlife/natural history viewing could expand and diversify current tourism operations, and therefore employment in the region.

#### **Environmental Analysis:**

Prince Rupert Economic Development Commission's technical work repeats analysis, exactly as on page 81 in this Synergy Report

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<sup>68</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



### **Policy Analysis:**

Prince Rupert Economic Development Commission's technical work repeats analysis, exactly as on page 81 in this Synergy Report

## **9.3 Opportunity: Culture and Heritage**

### *Market Analysis*

#### **Current Market Demand:**

The culture and heritage tourism segment is a rapidly growing sector. As tourists become older, more educated and more interested in learning about the places they visit, they continue to take greater interest in museums, historic sites and other cultural attractions. Cultural tourism is centred on art events, cultural festivals, museums, art galleries and heritage attractions. Heritage tourism includes a variety of experiences focused on historic, cultural and natural resources and provides a quality experience with social, economic and environmental benefits.

Some estimates put the value of cultural tourism in Canada at as much as 29% of total tourism spending. Interest in cultural tourism is currently high among tourists visiting B.C. from Canada, the U.S. and overseas, and community initiatives that capitalize on local culture and history are attracting a large amount of interest and visitation.

First Nations people have knowledge of their areas, culture and resources that others do not possess.

#### **Future Market Trends:**

The operator, to promote their business, could use protocol agreements between tourism operators and First Nations as a marketing tool. Enhancing and supporting Tsimshian culture through the development of authentic and culturally appropriate tourism products through a certification process that is wholly based on community values could make good business sense. Joint ventures with Prince Rupert and regional non - First Nations operators, where feasible and profitable to do so, would also expand the potential of this opportunity.

### *Project Analysis, Rationale, Justification and Action Planning*

<p><b>Opportunity: - Culture and Heritage</b> - The North Coast is rich in opportunities associated with the exposition and interpretation of its special culture and heritage. This opportunity has huge growth potential on the North Coast and will require careful planning to avoid resource user conflicts.</p>
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<b>OPPORTUNITY REQUIREMENTS</b>	<b>Yes</b>	<b>Probably</b>	<b>Uncertain</b>	<b>Unlikely</b>	<b>No</b>
Identified 'need' for the project?	X				
Can attract investors?				X	
Need joint venture partners?			X		
Project champions available?		X			
Practical, affordable opportunity?		X			
Community support?		X			
Community / Regional capacity?		X			
Identified market demand?	X				
Growth sector? Sustainable?		X			
Skilled labour in place?	X				
Physical infrastructure in place?			X		
Can be financially self - sustaining?			X		
Environmental issues to deal with?			X		
Need permitting, certification?					X
Activity has cultural significance?	X				
Reasonable startup / market entry?		X			
Builds on existing business base?	X				
Overall chances of success?		X			
<b>OPPORTUNITY DELIVERABLES</b>					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?			X		
Ability to deliver revenues?			X		
Provides economic diversification?		X			
Provides training, capacity building?	X				
Can deliver quantifiable results?		X			
Can deliver short - term results?			X		

**Why this initiative makes good economic and business sense** – First Nation's culture as part of the tourism experience is popular among visitors to BC, particularly among European visitors. The development of tourism infrastructure such as the cruise dock will generate a positive growth trend in market demand over the next several decades with an influx of an additional 150,000 tourists that are motivated to participate in 2 to 4 hour cultural tours.

### *Additional Details:*<sup>69</sup>

#### **Location Analysis:**

There are numerous suitable sites for culture and heritage opportunities:

- Tsimshian Territory: 150 kilometres of the Skeena River and approximately 400 kilometres of coast line
- Nisga'a Territory that is concentrated around the Nass River
- Stone weirs along rivers
- Hundreds of midden sites along the shore
- Archaeological discoveries such as Pike Island
- Numerous culturally modified trees
- North Pacific Cannery

<sup>69</sup> Extracted from original NCLRMP Report by Robinson Consulting, June, 2003



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- Abandoned Town sites: Kitsault and Alice Arm
- Abandoned mine sites: Anyox smelter site
- Lighthouses
- World War 2 Fortifications

### **Business Analysis:**

- Recommended Ownership Structure: there are a number of appropriate structures including, First Nation entrepreneurs, First Nation Development Corporations, First Nation Communities, Not-for-Profit Societies and private corporations.
- Start-Up Costs: Typically the development of a cultural and heritage site involves a significant capital investment, such as, Pike Island that required several hundred thousands of dollars to complete. In some cases, the costs could be quite small, for example, a dance troupe or art vendor may only require the use of an existing venue.
- Anticipated Revenues and Expenses: a small operator with one seasonal employee could expect revenues in the \$75,000 to \$150,000 range. Large-scale, full service operators would generate revenues at the \$500,000 plus range.
- Projected Employment: it is possible to create numerous jobs for a short period of time from a specific event or a smaller number of jobs on a continual basis.

### **Environmental Analysis:**

Prince Rupert Economic Development Commission's technical work repeats analysis, exactly as on page 81 in this Synergy Report

### **Policy Analysis:**

Prince Rupert Economic Development Commission's technical work repeats analysis, exactly as on page 81 in this Synergy Report

## **9.4 Action Plan and Role Modelling**

**This action plan encompasses all the tourism opportunities due to the commonality of action items.**

### **Action Plan :**

1. Encourage value-added and unique experiences, since the region already has destination status in the US market.
2. Closely monitor transportation access modes, especially highways and ferries, for changes which could impact visitation to the region by potential markets.
3. Collaborate with First Nations to identify opportunities for commercial development on reserve land.
4. Work with local recreationists to develop a code of ethics that could contribute towards resolving potential disputes.



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5. Develop signage, map guides, codes of conduct and safety tips for the area. Prominently display these in staging areas.
6. Develop shuttling opportunities, docks, kayak supply kiosks and radio rentals.
7. Investigate the feasibility of having First Nations establish a hut-to-hut system on reserves.

### ***Recommendations to LRMP Table:***

- Zone to ensure reasonable access to high quality recreation areas.
- Develop mitigation measures to address environmental concerns that may arise.
- Visual quality objectives need to be maintained in areas where there is a high viability of recreation opportunities.
- Follow action plan above.
- Support partnerships with First Nations.

### ***Role Modelling***

#### **Aboriginal Journeys**

<http://www.aboriginaljourneys.com/>

Aboriginal Journeys is a locally owned and operated First Nations wildlife and cultural tour company. They are located in Campbell River, British Columbia, Canada within the traditional territory of the Laichwiltach peoples. They offer wildlife, marine-life and nature-viewing excursions through some of the most scenic areas found anywhere in the world and combine it with a First Nation's cultural experience. The tours are guided by locally born residents with between 25-50 years experience working and travelling within their waters.



They have a 24-foot zodiac coast guard approved vessel, and a 55-foot classic wooden fishing vessel. Both vessels are fully equipped with all the proper navigation and safety equipment. All weather cruiser flotation suits are provided on each tour.

#### **Metlakatla, Alaska**

Tourists making a port call at **Metlakatla** visit the Annette Island Tsimshian Indian Village. Unlike other destinations, the village runs its own visitor industry. Once tourists cross a tour ship gangway, they are met by village-owned buses and taken to village-run events such as Native dancing performances and art shows. Metlakatla was one of the first Alaska Native



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villages to embrace tourism. The community expects more than 10,000 tourists to visit via small cruise ships, in the summer of 2003. The jump will be due in part to a dozen new trips by Glacier Bay Cruiseline. The Native-owned company will have a dozen "culturally focused" trips next year to Metlakatla, Wrangell, Petersburg and Hoonah, a Tlingit community of about 900, 40 miles west of Juneau on Chichagof Island.



### 10.0 Botanical Forest Products<sup>70</sup>



Technical work completed by the Prince Rupert Economic Development Commission did not rank opportunities. Three opportunities are highlighted here for consideration.

Non-timber forest products are defined as botanical products of the forest that are not used for saw logs or pulpwood. Botanical forest products include edible products, craft materials and medicinals. The promotion of orderly, sustainable development of non-forest products is a means of supporting self-reliant and stable rural communities within the North Coast Region.

Interest in BFP's is growing as changes in timber management and land use issues force landowners and managers to seek out new or additional income sources. Researchers believe BFP's will bring economic development to rural areas, create jobs and provide opportunities for economic development for First Nations.

This is a fragmented industry with many companies and individuals competing for the same product. There are two main types of participants: individuals with small businesses such as wholesale suppliers or product manufacturers, and individual harvesters who sell their product to the small businesses.

For those operating small businesses, botanicals are their full-time, sole operation and they have been involved in the industry for several years or decades. Small businesses may employ from 1 to 11 full-time employees and have as many as 90 part-time or seasonal positions. The full-time employees receive an hourly wage, while the majority of part-time and seasonal positions are harvester positions and they are paid by the piece, typically a price per pound for acceptable, delivered product. Some processors are starting to eliminate the role of the distributor or export company and are selling directly to overseas or national clients.

There is concern among Aboriginal people regarding commercial harvesting of BFP's. These concerns centre on the depletion of resources on which they have relied for hundreds of years and upon which they continue to rely and loss of their own rights to harvest BFP's.

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<sup>70</sup> Except where otherwise noted – much of this section is pulled from: *Botanical Forest Products Opportunity Newsletter*, Synergy Management Group Ltd., 2002



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With the recognition of the opportunities, economic and cultural, that exist within the industry, there is the opportunity to identify and inventory locally grown species, renew traditional uses and provide leadership in the sustainable development of the resources.

### *Market Analysis*

#### **Current Market Demand:**

B.C. habitats support the greatest diversity of plants and animals of any other province and 211 harvested botanical products have been identified. Out of these 211 identified products, 44% are now harvested commercially. BFP's with commercial potential that are harvested in B.C. are wild edible mushrooms, floral and greenery products, medicinal and pharmaceutical products, wild berries and fruit, herb and vegetable products, landscaping products, craft products and miscellaneous (e.g. honey and smoke woods).

Currently, the most actively harvested botanicals in B.C. are mushrooms and floral and greenery products.

First Nations have been harvesting products for thousands of years on a sustainable basis to meet community needs. There are a number of small home-based cottage industry businesses that harvest products for local markets and to meet the demands of tourists. Commercial mushroom harvesting generates a significant foreign trade with Asian exports.

Workers displaced from traditional resource employment and recent immigrants have swelled the ranks of primarily part-time harvesters who once supplied the relatively modest markets for BFP's. Large international markets are now well-established and demand for "natural", "wild", and "organic" foods, pharmaceuticals, landscaping materials and craft items is growing rapidly and is generating pressure for new products and new harvesting areas. While information about the economic and employment impacts of BFP's in B.C. is sketchy, it is believed that the salal harvest on Vancouver Island alone, generates between \$30 and \$60 million per year and exports of wild mushrooms from B.C. average between \$50 million and \$80 million per year in wholesale value.<sup>71</sup>

#### **Future Market Trends:**

With depleting stocks internationally, demand for mushrooms, although variable from year to year, continues to sustain itself. There are tremendous long-term opportunities for craft production to meet the growing demand for authentic First Nation arts and crafts. With an aging population there is increasing demand for pharmaceutical and medicinal products.

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<sup>71</sup> *Tlowitsis Nation, Campbell River, B.C. Economic Development Roadmap*, Synergy Management Group Ltd., October 2002



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### **Environmental Analysis:**<sup>72</sup>

The most important issue facing botanicals is the sustainability of the resource if it is harvested on a commercial basis. There are also issues around the protection of property and the protection of intellectual rights. There are a number of mitigation options including the following:

- Sustainable production through wild crafting, management, enhancement, propagation (agro forestry), or some combination of these approaches.
- Development of products and services rather than bulk commodities.
- Utilization of basic and applied scientific and technical research now, rather than when the resources are already depleted.
- Land and resource management for long term, sustainable production of a full range of forest values including non-timber forest products.
- Recognition and protection of First Nations intellectual and territorial rights.

### **Business Analysis:**<sup>73</sup>

- Recommended Ownership Structure: these enterprises are well suited to cooperative structures where individual harvesters own shares. The cooperative will serve as a marketing and research and development organization in support of its membership.
- Start-Up Costs: wide range starting at \$100 for an individual harvester that will sell product to brokers up to \$1,000,000 for sophisticated companies that are involved in all aspects of the value chain.
- Anticipated Revenues and Expenditures: revenues can range from hundreds of dollars to millions depending on the scale of operation (there are severe data limitations because much of this activity currently operates within the underground economy or within First Nation communities where there is no exchange of money).
- Projected Employment: this activity can create numerous jobs for First Nations and Non-First Nations on an annual or seasonal basis. These activities can also create numerous spin-offs in research and development, value-added processing, wholesale and retail distribution.

### **Policy Analysis:**<sup>74</sup>

Research has shown that there is a broad and growing interest in BFP's at the community level in B.C., coupled with a serious lack of information about the ecological, social and economic aspects of the industry and an almost complete void in legislative and policy approaches to management and development of BFP's.

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<sup>72</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003

<sup>73</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003

<sup>74</sup> *Tlowitsis Nation, Campbell River, B.C. Economic Development Roadmap*, Synergy Management Group Ltd., October 2002



More specifically, in many forest-dependent communities, issues around the opportunities created by the commercialisation of non-timber, or botanical forest products are: competing interests; concerns and attitudes voiced in the community; and, uncertainty related to the commercial viability of any BFP venture.

Constraints in the form of financing, labour and transportation costs and marketing knowledge and access can be overcome. Efforts to resolve these constraints within a competitive, expanding and unregulated industry will depend upon the willingness of the community to actively take part in the development of these opportunities.

### 10.1 Opportunity: Mushrooms

#### *Market Analysis*

##### **Current Market Demand:**

Commercial production relies on conditions that prevail in nature. Prices received for edible mushrooms are highly volatile from year to year or even over any given season.

Factors accounting for this include varying weather conditions that affect supply and availability/pricing of competing product internationally.

The three types of mushrooms being harvested commercially in B.C. in large volumes are:

- Pine
- Morel
- Chanterelles

The most valuable wild food mushroom export (almost entirely to Tokyo and Osaka) is the pine mushroom. It is anticipated that future Japanese consumption will absorb all the pine mushrooms that B.C. can export.

Wild mushrooms are harvested from Crown and tenured lands at little or no cost to the harvester. This could change if policy or legislation enforces a licensing system for the harvester, or if the owner of the tenure decides to charge for harvesting rights.

General distribution channels used for harvested mushrooms in B.C. are either through Harvesters/ Pickers who are recreational, local part-time, transient full-time professional pickers, or a Buyer/ Processor/ Wholesaler.

Commercial pickers take their daily harvest to buying depots usually established near prime harvest sites and run by established independent buyers acting as agents for larger exporting



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companies.

Local markets, restaurants and grocery stores purchase small amounts of mushrooms from wholesalers or directly from pickers.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Mushroom Harvesting** - The largest product group that generates the most reported revenues is wild mushrooms. With the availability of 33 marketable species, it is reported that commercial harvesting of wild mushrooms is a growing multi-million dollar industry in B.C.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?				X	
Need joint venture partners?				X	
Project champions available?			X		
Practical, affordable opportunity?		X			
Community support?			X		
Community / Regional capacity?	X				
Identified market demand?	X				
Growth sector? Sustainable?		X			
Skilled labour in place?		X			
Physical infrastructure in place?			X		
Can be financially self - sustaining?		X			
Environmental issues to deal with?	X				
Need permitting, certification?					X
Activity has cultural significance?	X				
Reasonable startup / market entry?		X			
Builds on existing business base?			X		
Overall chances of success?	X				
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?	X				
Ability to deliver revenues?	X				
Provides economic diversification?			X		
Provides training, capacity building?			X		
Can deliver quantifiable results?		X			
Can deliver short - term results?	X				

**Why this initiative makes good economic and business sense –** It is important that First Nation rights are regarded and appropriate controls are put in place to provide a sustainable harvest. This initiative provides a natural opportunity that supports the more rural resource rich characteristics of the North Coast communities and international demand for the product exists.

### **Policy Analysis:**

The commercial harvesting of pine mushrooms has come to the attention of the B.C. government and public several times over the last 20 years. However, there is no indication in the Ministry of Forest's business plan, that recommendations for legislation are forthcoming.



B.C. has a limited amount of specific regulations surrounding the general harvesting of BFP's. Harvesting is not permitted in Provincial Parks, National Parks, Wilderness Areas and Department of Defence Lands. Harvesting is permitted on Provincial Forest Lands and Tree Farm Licenses; and harvesting with permission can be done on Indian Reserves, Private Land, Leased Crown Land and B.C. Hydro Right-of-ways.

### **10.2 Opportunity: Floral and Greenery**

B.C. forests provide a diversity of shrubs, herbs and mosses for commercial floral and greenery products; 31 different species have been identified in B.C.

The most commercially viable plants harvested for the floral greenery industry are salal, false box, evergreen huckleberry, Oregon-grape, tall Oregon-grape, western red cedar, white pine, sword fern, deer fern and maidenhair fern.

#### ***Market Analysis***

##### **Current Market Demand:**

Conifer boughs along with cones are used during the Christmas season for wreaths and decorations. Aromatic or essential oils are concentrated, aromatic oils found in plant leaves, flowers, seed bark, roots and rinds of some fruit. In B.C. the most commercially important essential oil is from the leaves of the western red cedar.

Four different species of moss are harvested for use as filler in baskets or floral arrangements. Fresh or dried flowers species include bear grass, candystick, pearly everlasting, red-flowering currant and scotchbroom.

Salal accounts for approximately 75 - 80% of the annual sales revenue for the B.C. floral industry. Used widely by the floral industry to accent flower arrangements, the largest markets for salal are eastern Canada, the U.S. and Europe. Annual sales revenue for salal harvested in B.C. have been estimated at \$42 - \$45 million.

#### **Floral Distribution**

There are three components involved in the floral and greenery industry, harvesting, processing and marketing.

Harvesters are usually self-employed, part-time seasonal workers who harvest a range of products to sell to various processors.

Processors prepare plant materials for sale to wholesalers or brokers or directly to retailers.



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Wholesalers, brokers and retailers usually buy from processors or sometimes directly from harvesters who have the capabilities to process products for distribution.

There are 22 firms operating in this sector in B.C., with collective gross revenues in 1997 between \$55 and \$60 million.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Floral and Greenery** – Crafts and flower markets continue to increase as the population ages and leisure hobbies draw interest. This opportunity provides diversification and can be harvested sustainably in remote rural communities.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?				X	
Need joint venture partners?			X		
Project champions available?		X			
Practical, affordable opportunity?			X		
Community support?			X		
Community / Regional capacity?	X				
Identified market demand?	X				
Growth sector? Sustainable?			X		
Skilled labour in place?		X			
Physical infrastructure in place?				X	
Can be financially self - sustaining?			X		
Environmental issues to deal with?	X				
Need permitting, certification?					X
Activity has cultural significance?	X				
Reasonable startup / market entry?		X			
Builds on existing business base?			X		
Overall chances of success?		X			
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?		X			
Ability to deliver revenues?		X			
Provides economic diversification?		X			
Provides training, capacity building?		X			
Can deliver quantifiable results?		X			
Can deliver short - term results?			X		

**Why this initiative makes good economic and business sense** – It is important that First Nation rights are regarded and appropriate controls are put in place to provide a sustainable harvest. This initiative provides a natural opportunity that supports the more rural resource rich characteristics of the North Coast communities. Local and international demand for the product exists.



### 10.3 Opportunity: Medicinal and Nutraceutical Products

#### *Market Analysis*

##### **Current Market Demand:**

##### Mushrooms

Medicinal and nutraceutical (a substance with both nutritional and therapeutic benefits) mushrooms, extracts and products have greater economic potential for B.C. than the wild food mushroom.

The most economically valuable indigenous medicinal mushroom species in B.C. include honey mushrooms, king bolete, chanterelle, quinine conk, morel and pine mushrooms.

The annual world market for medicinal mushrooms is estimated at approximately U.S. \$1.3 billion.

##### Plants

Herbal medicine is one of the most valuable medical resources available today. Medicinal plants have long-established markets and represent a continuing economic opportunity.

Plants used for herbal and complimentary health products are marketed primarily through small botanical or herb buying houses, which then process and package the plant material for final processors or the retail market. Retail outlets include health food stores, grocery store chains, drugs stores and other outlets specializing in natural remedies.

There are approximately 26 plants harvested for medicinal purposes in B.C. including cascara and western yew. B.C. forests and wildlands contain a wide diversity of plants with market potential for the manufacture of pharmaceutical compounds and herbal medicines. Many of the medicinal plants are easily grown in small crops and are not appropriate for forest gathering for example, Echinacea, Goldenseal, Gingko, St. John's Wort, hops, Peppermint, Slippery Elm, Aloe, Saw Palmetto and Valerian. However, St. John's Wort, Echinacea and Slippery Elm are also wildcrafted, mainly for export to Europe.

The gathering of forest medicinals, both commercial and otherwise in B.C. is centred around the Kootenays, Slocan region and Okanagan. Commercial harvesters sell almost exclusively to bulk suppliers in the U.S. and large manufacturing companies.



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### Policy Analysis:

Herbal products are considered to be food by Health Canada and current regulations only apply to mass marketing of products to the public. Regulations do not apply to personal use, bulk sales, exports or the wholesale market.

### *Traditional Uses*

There are few plants in B.C. forests that do not have some medical purpose for the First Nations people of B.C. Although the preparations of these plants change from Band to Band, the overall effects remain the same. The use and healing properties of these plants could create an opportunity for mainstream marketability. For example Juniper, used in traditional tea, it is believed to have healing properties for skin disorders and arthritis. Kinnikinnick is in high demand for kidney disorders and sores. Pine tree needles are used as a cough suppressant; inner bark to soothe chapped lips.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Medicinal and Nutraceutical Products** – Interest in alternative medicine continues to grow internationally. There is a consistent increase in the number of consumers looking for alternative medicines to pharmaceuticals. First Nation products that combine their traditional knowledge and spiritual beliefs are of interest.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?		X			
Need joint venture partners?		X			
Project champions available?			X		
Practical, affordable opportunity?			X		
Community support?		X			
Community / Regional capacity?			X		
Identified market demand?	X				
Growth sector? Sustainable?		X			
Skilled labour in place?		X			
Physical infrastructure in place?				X	
Can be financially self - sustaining?		X			
Environmental issues to deal with?	X				
Need permitting, certification?			X		
Activity has cultural significance?	X				
Reasonable startup / market entry?			X		
Builds on existing business base?			X		
Overall chances of success?		X			
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?	X				
Ability to deliver revenues?		X			
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?		X			
Can deliver short - term results?				X	



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**Why this initiative makes good economic and business sense** – Tapping into the alternative medicine market has value. Providing a real venue for the collection of traditional medicines, before they are lost, has cultural value. Desire for alternative medicines is growing internationally.

### 10.4 BFP/NTFP Action Plan and Role Modelling

#### Action Plan –

It is recommended that a development group be established to carry out the following:

- Fully inventory regional BFP players and products.
- Develop a regional BFP information package.
- Distribute same to established BFP buyers and wholesalers.
- Meet with these companies and proactively promote the region.
- Act as liaison between the needs of the buyers and the products of area producers.
- Identify opportunities for area BFP entrepreneurs.
- Help find market outlets for area BFP producers.
- The entity would also encourage the development of value added products, including a First Nations BFP Line, and represent these in the marketplace.
- Florals and craft supplies would be represented and sold to major chains such as “Michaels, The Arts and Crafts Store” and Crafts Canada.
- As market opportunities were sought out and identified, this group would contract with local harvesters and producers.
- Opportunities, primarily value adding, would be further explored and champions identified.
- The group would continuously promote the BFP potential of the region and work to attract outside investors and encourage established BFP companies outside the region to set up or joint venture in the region.
- The group, in essence, would become the portal for most BFP activity in the area. As the clearly established focal point in an economic sector currently somewhat fragmented, the group would provide access to ideas, opportunities, markets, contacts and investment.
- The group would deal with regulatory issues and liaison with Ministry of Forests and tenure holders, as pertaining to access to lands and environmental issues.
- The group would explore the feasibility and economic impact of BFP’s as a tourism activity.



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### ***Recommendations to the LRMP Table***

- Incorporate items from the action plan above that are LRMP-related decisions.
- Encourage partnerships with First Nations.

### **Role Modelling**

#### ***Western Evergreens Ltd., Courtenay, B.C.***

The company is an exporter of salal but is also a buying station for mushrooms. As a buying station, they are paid up front and receive a buying commission. This money is used to run a salal business. 95% of floral greens exported from Canada is salal and production begins in mid-July and continues until early May.

Salal can be stored from February or March until June to carry over the growing season. Western ships the salal overseas to Holland, Germany, USA, Japan and Hong Kong. Largest amounts produced go directly to U.S. buyers with only a small commission or plant fee added. There are only 3 exporters in Canada who directly export cut floral greens to Europe or Asia.

#### ***St. Jean's Cannery, Nanaimo, B.C. (Mushroom Buyer)***

The company purchase mushrooms in Lake Cowichan on Vancouver Island, and has been in business for over 10 years.

Highest priority is clean, firm, solid, whole mushrooms. Only 50% will make this grade in final processing for canning or shipping fresh. The other 50% will be dried or brined. Pine mushrooms are shipped to Japan in Styrofoam containers and fresh mushrooms are shipped to Europe in 5 kilo baskets at a cost of \$3.00 per kilo for air freight. Shipment size is usually 1000 - 1500 kilograms net weight.

Most marketable of all mushrooms is chanterelle. 90% of all chanterelles are sold in Europe. St. Jean's is the only cannery in Canada and the U.S. that cans chanterelles.

#### ***The Kootenay Cone Company, Kootenay, B.C.***

One of the most successful companies involved in the harvesting and marketing of BFP's in B.C. is the Kootenay Cone Company. With customers throughout Canada, U.S., Mexico, the Pacific Rim and Europe, they supply craft shops, greenhouses, garden centres and the floral trade with natural forest botanical products.

Among the products they provide are cones and cone flowers, Christmas greens, wreaths, garlands, natural wood and bark, mosses and lichens, burls, baby's breath, mullein and fungus.

They only supply wholesalers and retailers and do not take orders from private individuals. One of their major customers is the retail chain of Crafts Canada with outlets across B.C.



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Most of their products are harvested locally around the Kootenay area, but several products are not available in that region and they source across B.C. for various pine cones, mosses, bark, grasses and specialized florals.

Kootenay Cone attributes their success to a very strong marketing team - they say anyone can pick botanicals, but to be successful, effective marketing is the key.



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### 11.0 Seafood<sup>75</sup>

The fishing industry on the North Coast is currently experiencing a transition. Once the mainstay of the economy, the fishing fleet and associated employment in processing, supplies and transport and handling have declined markedly over the past decade.

This is due to a number of factors including fleet management reforms, sectoral allocation issues, interception issues, worldwide price competition and climatic and environmental conditions, resulting in reduced fish populations.

In spite of these issues, the North Coast remains the largest seafood industry cluster in the Province. The development of aquaculture –shellfish and finfish, is bringing new investment to the North Coast.

New investment in transportation and distribution, cold storage, reduction, processing, etc. bodes well for the wild fishery.

This segment of the Report analyses the impact of these potential new investments.

#### Opportunities Ranking

	1	2A	2B	3A	3B	4A	4B	Total
Shellfish aquaculture	6	2	2	2	3	2	3	20
Finfish Aquaculture	6	2	2	3	2	2	2	19
Value-added seafood -frozen	6	2	3	2	1	2	2	18
Value-added seafood -fresh	6	2	3	2	1	2	1	17
Kelp and Seafood Farming	2	2	2	2	3	3	3	17
Alternative and Underutilized Species	2	2	3	2	3	2	2	16
Enhanced Traditional Wild Stocks	2	2	3	2	3	2	2	16

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<sup>75</sup> Reference: MSRM Building Blocks; PREDC internal data files.



### 11.1 Opportunity: Shellfish Aquaculture

#### *Market Analysis*

##### **Current Market Demand:**

Primary shellfish species cultured in B.C. include: Pacific oysters, Manila clams and scallops. Statistics from 2001 report that there are 278 companies in shellfish aquaculture and 455 Crown land tenures. This produced 800 on the farm jobs and occupied 2,727 hectares (1/2 on beaches and 1/2 in deepwater).<sup>76</sup>

BC Shellfish Aquaculture Harvests and Values 2001			
Species	Production (tonnes)	Farmgate Value (\$millions)	Wholesale Value (\$millions)
Oysters	7,300	8.3	13.7
Clams	1,400	7.9	11.6
Scallops & Other	100	0.5	1.0
Total	8,800	16.7	26.3

Production comes entirely out of rural coastal areas, where farms offer economic opportunities to local communities. Currently most shellfish culture occurs on the South Coast. Pilot work is under way on the North Coast to determine growth rates and site suitability. Eighty-eight per cent of farm production comes from the East Coast of Vancouver Island. The Baynes Sound area alone produces 35 per cent of the oyster and 50 per cent of the clam total landed values for each species.

Recent growth is due primarily to more intensive cultivation of sites as access to new land has been limited. New species (geoduck clams, giant rock scallops, sea urchins, sea cucumbers and abalone) show potential for value-added high value products.

##### **Future Market Trends**

The long term market prospects for oysters, clams and scallops are very strong growing at a rate of ten percent per annum with excellent export potential to US and Asian markets. The

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<sup>76</sup> [http://www.agf.gov.bc.ca/fish\\_stats/aqua-shellfish.htm](http://www.agf.gov.bc.ca/fish_stats/aqua-shellfish.htm) - Shellfish Aquaculture in BC, 2001 Quick Facts



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development of a container port in Prince Rupert will provide an export base to ship frozen product worldwide.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Shellfish Aquaculture** - The rearing of shellfish in deep water and on beaches is an excellent opportunity, primarily for First Nation communities to create new jobs and income for the North Coast. There is the potential for resource conflicts in foreshore areas that have traditionally used for shellfish harvesting.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?		X			
Need joint venture partners?	X				
Project champions available?	X				
Practical, affordable opportunity?		X			
Community support?			X		
Community / Regional capacity?		X			
Identified market demand?	X				
Growth sector? Sustainable?		X			
Skilled labour in place?	X				
Physical infrastructure in place?		X			
Can be financially self - sustaining?		X			
Environmental issues to deal with?	X				
Need permitting, certification?	X				
Activity has cultural significance?			X		
Reasonable startup / market entry?		X			
Builds on existing business base?	X				
Overall chances of success?	X				
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?	X				
Ability to deliver revenues?		X			
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?		X			
Can deliver short - term results?			X		

**Why this initiative makes good economic and business sense** – Aquaculture production comes entirely out of rural coastal areas where farms offer economic opportunities to local communities.

#### **Action Plan –**

1. The Seafood Development office should continue to pursue opportunities with First Nations and possible partners.
2. Ongoing monitoring of the industry is necessary to determine where to focus best efforts.



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### *Recommendations to LRMP Table*

- Encourage First Nations involvement.
- Zone for high feasibility areas.
- Provide mitigation to meet environmental concerns.

### *Additional Details:*<sup>77</sup>

#### **Location Analysis:**

There is extensive coastline with clean water, good circulation and nutrients to support shellfish aquaculture. Shellfish sites will be primarily located in traditional territory adjacent to First Nation villages. One First Nation is currently operating an oyster farm in Humpback Bay. Extensive testing is required to identify potential sites.

#### **Business Analysis:**

- Recommended Ownership Structure: First Nation entrepreneurs, Native Development Corporations, First Nation Communities, private individuals and corporations. Cooperative structure to generate a critical mass for market development, where individual tenure holders own shares in the cooperative and sell their product through a central clearing house.
- Start-Up Costs: range from \$100,000 to \$500,000 depending on the scale of operation.
- Anticipated Revenues and Expenses: vary depending on scope and productivity variables.
- Projected Employment: there is the potential to create 1,000 person years of employment in coastal communities over the next ten years. There will be a minimum of 100 jobs created within the next five years.

#### **Environmental Analysis:**

Urban encroachment and competing uses of coastline inhibit development in some areas. There is potential for farms to:

- disturb or harm wildlife, particularly birds through noise and human activity
- modify habitat and alter the composition of benthic communities underneath growing areas as a result of the accumulation of organic sediments.
- improve water quality and sediment productivity,
- provide structural habitat for suspension feeders such as tubeworms and shrimp, which in turn are important food sources for grazing fish and birds.



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<sup>77</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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Farms can pose potential conflicts with a range of other resource users including: local residents, tourist operators, recreationalists, commercial underwater harvesters, commercial fishermen and forestry operations. Most effects can be mitigated through sensitive and diligent management. Permission should be obtained from the First Nation in whose territory the operation is being developed in the event that they are not directly involved in the activity.

### **Policy Analysis:**

The issues affecting the development of this industry are largely operational. There is a requirement to improve the efficiency and responsiveness of government regulations. There is also a need to develop appropriate enforcement, monitoring and production regulations. Improved access to funds for farm setup and processing infrastructure would benefit this industry tremendously.

## **11.2 Opportunity: Finfish Aquaculture**

### *Market Analysis*<sup>78</sup>

#### **Current Market Demand:**

There are about 80 salmon farm sites on the coast of BC today. In the early days of industry development, farm sites were concentrated along the Sunshine Coast, close to Vancouver. Today, however, most of the sites are located off Vancouver Island - where there are exceptionally good growing conditions. The thirteen companies that operate these farms are vertically integrated and rely on the latest equipment and technology to succeed in the highly competitive world salmon market.<sup>79</sup>

Product quality control is a top priority, and a farmed salmon often reaches its market within 48-60 hours from the time it is harvested.

An industry snapshot of salmon farming in 2002 provides the following details:

#### **2002 Production Total**

73,119 tonnes (dressed weight)

#### **Production by Species:**

11,180 tonnes Chinook (15%)

2,000 tonnes Coho (3%)

#### **Employment:**

Direct 1,800

Indirect 2,340

**TOTAL 4,150**

**BC Farm Salmon Producers: 12**

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<sup>78</sup> <http://www.salmonfarmers.org/industry/today.html> - Salmon Aquaculture in BC Today, 2002

<sup>79</sup> <http://www.salmonfarmers.org/industry/today.html> - Salmon Farming in BC Today



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59,939 tonnes Atlantic (82%)

**BC Farm Salmon Hatcheries: 9**

**Number of Farms:**

121 tenures

83 active farm sites

**BCSFA Members:**

12 Producers

60 Suppliers

**Where Sold:**

Domestic 15%

Exported 85%

**Exports:**

USA 89%

China 4%

Japan 6%

Other 1%

**Market Share:**

World's 4th largest farm salmon producer

**Benefits:**

- 90% of jobs outside Vancouver & Victoria
- Creates full-time, year-round jobs in coastal communities
- 250+ BC companies supply the industry
- 90% of supplies and services purchased locally
- Increased tax revenues for provincial and federal governments

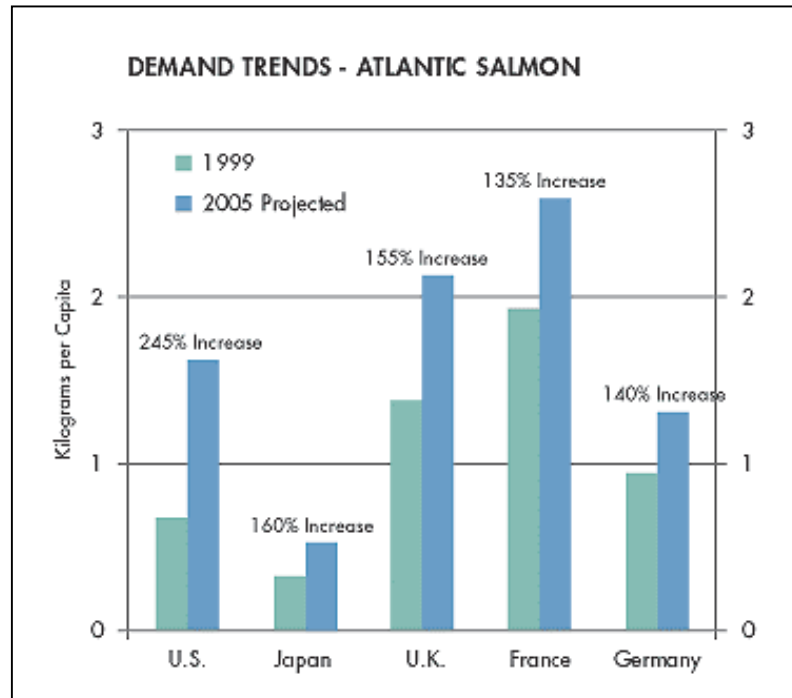
**Future Market Trends:**

BC salmon farming has evolved in just 25 years to lead BC's agricultural exports, and to account for 15% of the total value of BC's agricultural production. The industry provides many jobs and spin-off economic opportunities in rural coastal communities, and is the source of a high-quality product that is enjoyed year-round throughout the world. BC has exceptional growing conditions, highly skilled personnel, and is located next door to the world's largest salmon market, the United States. The future looks very promising for this new way of farming the seas.



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The future development of aquaculture depends not only upon future supply potential but also upon the future market for aquaculture products. The economic sustainability of aquaculture requires a balance between expansion of production and market development. The development of aquaculture cannot be separated from the development of the fisheries sector generally, although the market and resource use links between the two are not always clear. The impossibility of meeting growing demand for fish from capture fisheries is widely seen as the context for aquaculture development.

The development of a container port in Prince Rupert will provide a significant boost to Asian export of seafood products.

### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Finfish Aquaculture** - The finfish aquaculture industry will be the next major job and income generator on the North Coast. The finfish industry cluster has major implications for land use primarily in industrial parks and foreshore areas adjacent to farms.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?		X			
Need joint venture partners?		X			
Project champions available?	X				
Practical, affordable opportunity?			X		



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<b>OPPORTUNITY REQUIREMENTS</b>	<b>Yes</b>	<b>Probably</b>	<b>Uncertain</b>	<b>Unlikely</b>	<b>No</b>
Community support?			X		
Community / Regional capacity?	X				
Identified market demand?		X			
Growth sector? Sustainable?		X			
Skilled labour in place?	X				
Physical infrastructure in place?			X		
Can be financially self - sustaining?		X			
Environmental issues to deal with?	X				
Need permitting, certification?	X				
Activity has cultural significance?		X			
Reasonable startup / market entry?			X		
Builds on existing business base?		X			
Overall chances of success?		X			
<b>OPPORTUNITY DELIVERABLES</b>					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?			X		
Ability to deliver revenues?		X			
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?		X			
Can deliver short - term results?				X	

**Why this initiative makes good economic and business sense –** Salmon farming will continue to be in demand due to the ever depleting ocean stocks.

### **Action Plan –**

1. Ongoing communication and education for the industry and public by PREDC/MAF/DFO, to develop opportunities that are real and supported
2. Identification of joint venture partners with the TTC and PREDC
3. Continue to build local capacity by providing conferences and training workshops in the relevant skills

### **Recommendations to LRMP Table**

- Encourage First Nations involvement.
- Zone for high feasibility areas.
- Provide mitigation to meet environmental concerns.



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## Economic Development Action Plan

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### *Additional Details:*<sup>80</sup>

#### **Location Analysis:**

There is extensive coastline with clean water, good circulation and nutrients to support finfish aquaculture.

- Finfish sites will be primarily located in traditional territory adjacent to First Nation villages.
- There are three site applications in place for Kitkatla First Nation.
- Hatcheries require access to fresh water. The Marine Harvest hatchery is in Port Edward adjacent to Wolf Creek.
- Extensive testing is required to identify potential sites.
- Percent of waterways given a salmon farm suitability rating on the North Coast is 46%.

#### **Business Analysis:**

- Recommended Ownership Structure: First Nation joint ventures with multi-national firms, such as, Marine Harvest or Omega.
- Start up costs: \$2,000,000 to \$3,000,000
- Anticipated Revenue and Expenses: vary depending on scope and productivity variables.
- Projected Employment: There is potential to create 1,000+ jobs on the North Coast over the next ten years. Northwest Community College is currently developing curriculum to meet training needs.

#### **Environmental Analysis:**

Prince Rupert Economic Development Commission's technical work repeats analysis, exactly as on page 98 in this Synergy Report.

#### **Policy Analysis:**

Prince Rupert Economic Development Commission's technical work repeats analysis, exactly as on page 98 in this Synergy Report.

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<sup>80</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



### 11.3 Opportunity: Value-Added Seafood Processing

#### *Market Analysis*

##### **Current Market Demand:**

Shifts in consumer attitudes and preferences have been an important factor influencing the demand for fish in general. Fish has been seen as a 'healthy' product and has benefited from the trend towards reducing meat consumption. Besides price and quality, consumers are increasingly concerned with how their food is produced.

With static consumption levels of food in general, there is competitive pressure in the food industry to create added value and to innovate. The demand for fresh fish is limited or declining, whereas demand for frozen and value-added products is expanding.

Value-added products are well-suited to the multiple retailers (supermarkets). Such products might be chilled or frozen, coated, smoked, or even complete recipe dishes. The value added fish products sector is forecast for growth. Aquaculture production methods allow continuity of supply, size and quality assurance of the raw ingredients. These features are particularly attractive to the food processing industries.

##### **Future Market Trends:**

The long term market prospects for seafood is excellent. There is major long-term growth potential in ready to serve frozen entrées that have generated significant returns for the other protein producers. The development of a container port in Prince Rupert will provide a significant boost to Asian export of seafood products by creating export infrastructure on the North Coast.

#### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Value-Added Seafood Processing** - The value-added seafood processing industry has the potential to produce new jobs and income for the North Coast. This industry will follow a pattern similar to the East Coast, sourcing frozen raw material product from all over the world for re-processing into value-added products such as frozen entrées.

<b>OPPORTUNITY REQUIREMENTS</b>	<b>Yes</b>	<b>Probably</b>	<b>Uncertain</b>	<b>Unlikely</b>	<b>No</b>
<b>Identified 'need' for the project?</b>	X				
<b>Can attract investors?</b>		X			
<b>Need joint venture partners?</b>		X			
<b>Project champions available?</b>		X			
<b>Practical, affordable opportunity?</b>			X		
<b>Community support?</b>		X			
<b>Community / Regional capacity?</b>	X				
<b>Identified market demand?</b>	X				
<b>Growth sector? Sustainable?</b>		X			



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<b>OPPORTUNITY REQUIREMENTS</b>	<b>Yes</b>	<b>Probably</b>	<b>Uncertain</b>	<b>Unlikely</b>	<b>No</b>
<i>Skilled labour in place?</i>	X				
<i>Physical infrastructure in place?</i>			X		
<i>Can be financially self - sustaining?</i>			X		
<i>Environmental issues to deal with?</i>			X		
<i>Need permitting, certification?</i>			X		
<i>Activity has cultural significance?</i>					X
<i>Reasonable startup / market entry?</i>			X		
<i>Builds on existing business base?</i>	X				
<i>Overall chances of success?</i>		X			
<b>OPPORTUNITY DELIVERABLES</b>					
<i>Job creation potential?</i>	X				
<i>Secondary employment creation?</i>	X				
<i>New venture creation?</i>		X			
<i>Ability to deliver revenues?</i>		X			
<i>Provides economic diversification?</i>		X			
<i>Provides training, capacity building?</i>	X				
<i>Can deliver quantifiable results?</i>			X		
<i>Can deliver short - term results?</i>			X		

**Why this initiative makes good economic and business sense –** The market for seafood products is growing steadily. Seafood is now competing on an equal footing with beef, chicken and pork. This is largely the result of marketing efforts from the farmed salmon industry that have penetrated North American markets through high volume agreements with chains, such as, Costco.

### **Action Plan –**

1. Development of this opportunity will depend on the development of the Industrial park.
2. Continue investigation into the needs of a facility and the available infrastructure.
3. Research potential joint venture partners within the province.

### **Recommendations to the LRMP Table**

- Encourage zoning that will help realize industrial development.
- Carry out a feasibility study to determine long term viability of this opportunity.

### **Additional Details:<sup>81</sup>**

#### **Location Analysis:**

Successful development of this industry will be predicated by access to industrial land that meets present and future waste management guidelines. Small boutique operations have potential in First Nation villages if they can be certified by the Canadian Food Inspection Agency. Given

<sup>81</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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## Economic Development Action Plan

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these criteria the following locations on the North Coast have potential: Prince Rupert Industrial Park, Ridley Island, Port Edward Industrial area, First Nation Villages.

### **Business Analysis:**

- Recommended Ownership Structure: major national and international food processors will have the distribution and marketing penetration to be successful on the North Coast. Smaller locally-owned boutique processors making specialty products for niche markets could be viable.
- Start-Up Costs: \$1.0 million to \$10.0 million plus depending on scale.
- Anticipated Revenue and Expenses: varies depending on scope and productivity variables.
- Projected Employment: there is the potential to create 250+ jobs on the North Coast over the next five years.

### **Environmental Analysis:**

The seafood processing industry can be low impact in the right location away from residential neighbourhoods. There are waste discharge issues and the potential for congestion caused by increased reefer truck traffic.

Most effects are considered to be of low impact and able to be mitigated through careful planning. The creation of a seafood specific industrial park that provides access to reduction services and a wastewater treatment system would mitigate waste management issues.

### **Policy Analysis:**

This industry is inspected by the Canadian Food Inspection Agency. Federal certification is required to allow companies to export outside of the province and country. The Europeans require an E.U. certification before product can be exported to Europe. In addition, there are a number of provincial and federal regulatory bodies that must be satisfied before waste can be discharged into the ocean. The intent is to build a waste treatment facility that will operate on the principle of zero discharge.



### 12.0 Land Development / Infrastructure

The North Coast is moving through a major transformation from a diversified resource economy to a value-added manufacturer and tourism-based region.

As a result the infrastructure on the North Coast is obsolete in a number of respects. The Port of Prince Rupert can no longer depend on break bulk traffic to maintain viability.

A container port is necessary to move value-added forestry products and seafood to global markets.

In addition, the North Coast requires a bridge and road network to link their communities and provide an efficient movement of people and goods throughout the regional economy.

New environmental guidelines and the competitive nature of attracting new investment makes it imperative that the region have a state of the art industrial park to maintain its status as the largest seafood cluster in the province.

#### *Opportunities Ranking*<sup>82</sup>

	<b>1</b>	<b>2A</b>	<b>2B</b>	<b>3A</b>	<b>3B</b>	<b>4A</b>	<b>4B</b>	<b>Total</b>
Tidewater industrial park	6	2	2	3	2	3	2	20
Tsimshian Access Project	6	3	1	3	2	2	2	19
Container Port	6	3	2	3	2	2	1	19
Cruise ship dock	6	2	2	3	2	2	1	18
Ferry service	4	2	2	2	2	3	3	18
Airport expansion	4	2	2	3	3	2	1	17

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<sup>82</sup> This section as a whole has been extracted from Prince Rupert Economic Development Commission's technical work, June, 2003 and made to fit the current Report format. No additional information has been added.



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## Economic Development Action Plan

### 12.1 Opportunity: Tidewater Industrial Park<sup>83</sup>

#### *Project Analysis, Rationale, Justification and Action Planning*

**Opportunity: - Tidewater Industrial Park** - The development of tidewater industrial park focusing on seafood on Ridley Island has the potential to capture value-added activities from the commercial and farmed seafood industries. In addition, this infrastructure will attract other cluster-related industries, such as, a Styrofoam box plant, reduction facility, net cleaning facility etc.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?		X			
Can attract investors?			X		
Need joint venture partners?			X		
Project champions available?			X		
Practical, affordable opportunity?			X		
Community support?		X			
Community / Regional capacity?		X			
Identified market demand?			X		
Growth sector? Sustainable?			X		
Skilled labour in place?	X				
Physical infrastructure in place?		X			
Can be financially self - sustaining?			X		
Environmental issues to deal with?	X				
Need permitting, certification?			X		
Activity has cultural significance?					X
Reasonable startup / market entry?			X		
Builds on existing business base?		X			
Overall chances of success?			X		
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?			X		
Ability to deliver revenues?			X		
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?			X		
Can deliver short - term results?				X	

**Why this initiative makes good economic and business sense** – There is currently a severe lack of affordable industrial land for the development of the seafood industry in Prince Rupert. The development of finfish aquaculture on the North Coast will result in the necessity to site a processing facility as well as a number of other service company's incidental to fish farming.

#### Future Market Trends

The long-term market prospects for a seafood industrial park are excellent. Aquaculture both shellfish and finfish will soon become acceptable in Alaska making Prince Rupert a service centre hub for this activity given access to a container port, the rail head, a transshipment point for grains and a skilled labour force.

<sup>83</sup> Reference: MSRM Building Blocks; PREDC internal data files.



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## Economic Development Action Plan

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### **Action Plan –**

1. Land Use Planning	6 mths	CITY/ /TTC/PREDC/MSRM
2. Waste Management	6 mths	CITY/TTC/PREDC/MSRM
3. Industrial Park Mkt'g	ongoing	TTC/PREDC/PORT/CITY
4. Industrial Park Dvp't	12 mths	TTC/PREDC/PORT/CITY
5. Build local capacity	ongoing	PREDC/TTC/EDO's/PORT

### ***Recommendations to the LRMP Table***

- Ensure zoning provides appropriate designations for this access project.
- An assessment of the visual impact an increase in shipping will have on other resource users should be considered.

### ***Additional Details:***<sup>84</sup>

**Location Analysis:** Ridley Island –behind the Grain Terminal

#### **Business Analysis:**

- Recommended Ownership Structure: joint venture between the Port of Prince Rupert, the City of Prince Rupert and the Tsimshian Tribal Council.
- Start-Up Costs: \$2,500,000
- Anticipated Revenue and Expenses: unknown.
- Projected employment: potential to create 1000+ jobs on the North Coast over the next ten years.

#### **Environmental Analysis:**

This industrial park will be low impact on Ridley Island that is designed to handle heavy industry. There is public and regulatory agency concern for environmental impacts of marine and foreshore regarding waste discharge issues and congestion caused by increased reefer truck traffic.

Most effects are considered to be of low impact and able to be mitigated through careful planning. The intention is to build in a waste treatment facility that meets present and future

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<sup>84</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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## Economic Development Action Plan

environmental guidelines. In addition, there is a well-established environmental assessment process for federal port lands.

### Policy Analysis:

Financial assistance is required for planning the new development primarily in the waste management area. The partnership will work closely with all of the regulatory agencies provincially and federally, to ensure that this park meets the environmental guidelines present and future.

## 12.2 Opportunity: Digby/Tsimshian Access Project<sup>85</sup>

### Project Analysis, Rationale, Justification and Action Planning

**Opportunity :- Digby/Tsimshian Access Project** - The development of the Digby/Tsimshian Access Project is a combination of bridges and roads on the North Coast that would link Kaien Island, Digby Island and the Tsimshian Peninsula. This project will generate a significant magnitude of economic benefits estimated at approximately \$7.5 billion. This infrastructure development will have a significant impact on all aspects of the LRMP.

OPPORTUNITY REQUIREMENTS	Yes	Probably	Uncertain	Unlikely	No
Identified 'need' for the project?	X				
Can attract investors?		X			
Need joint venture partners?		X			
Project champions available?			X		
Practical, affordable opportunity?			X		
Community support?		X			
Community / Regional capacity?			X		
Identified market demand?	X				
Growth sector? Sustainable?	X				
Skilled labour in place?		X			
Physical infrastructure in place?					X
Can be financially self – sustaining?			X		
Environmental issues to deal with?		X			
Need permitting, certification?		X			
Activity has cultural significance?	X				
Reasonable startup / market entry?			X		
Builds on existing business base?		X			
Overall chances of success?			X		
OPPORTUNITY DELIVERABLES					
Job creation potential?	X				
Secondary employment creation?	X				
New venture creation?					X
Ability to deliver revenues?		X			
Provides economic diversification?	X				
Provides training, capacity building?	X				
Can deliver quantifiable results?			X		
Can deliver short - term results?					X

<sup>85</sup> Draft Socio-Economic Impact Assessment: Digby Tsimshian Access Project.



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**Why this initiative makes good economic and business sense** – A yet to be released socio-economic impact analysis states that current market demand for the project does not support the investment on the basis of a cost benefit analysis, however, future developments, such as, offshore oil and gas exploration, provide a large positive margin of benefits versus costs.

**Future Market Trends:** The long term prospects for this project are excellent with a forecasted \$7.5 billion in economic benefits.

### **Action Plan –**

1. Engineering/Design	24 mths	City of Prince Rupert/Metlakatla/Lax K'walaams
2. Environmental Assessment	12 mths	City of Prince Rupert/Metlakatla/Lax K'walaams
3. Financing	6 mths	City of Prince Rupert/Metlakatla/Lax K'walaams
4. Construction	24 mths	City of Prince Rupert/Metlakatla/Lax K'walaams

### **Recommendations to the LRMP Table**

- Ensure zoning provides appropriate designations for this access project.
- Develop a Monitoring Committee that will oversee the advancement of all economic development opportunities. The Committee should recognize this opportunity as a priority and continue to be involved in its development. Its effect on other opportunities and to the First Nations communities is significant.

### **Additional Information**<sup>86</sup>

#### **Location Analysis:**

The site for this project has been determined. The bridges will span Kaien Island to Digby Island and from Digby Island to the Tsimshian Peninsula. There will be the construction of a road network that will interconnect the airport to Metlakatla and Lax Kw'alaams.

#### **Business Analysis:**

- Recommended Ownership Structure: this project is a joint venture partnership between the City of Prince Rupert, Metlakatla and Lax Kw'alaams.
- Start-Up Costs: \$130,200,000 however options for a “phased in approach” could address the total overall cost. A gravel road (phase 1) would be substantially less to construct while still providing reasonable access to markets.
- Anticipated Revenue and Expenses: it is forecasted that by using a toll this project could cover debt financing of approximately \$20,000,000.

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<sup>86</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003



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- Projected Employment: 1,192 – 1835 person years of employment will be created through the construction phase.

**Environmental Analysis:** a complete federal environmental assessment process will be required to measure the impacts on marine, foreshore and land that will be opened up to public access.

**Policy Analysis:**

There are no policy barriers at this time.



### 13.0 Monitoring Plan<sup>87</sup>

The monitoring phase of the LRMP involves ongoing assessment of how well the management intent in the LRMP is being implemented. The public, as part of the LRMP Monitoring Committee, have an important role to play in monitoring the LRMP.

There are two aspects to plan monitoring:

- An assessment of LRMP implementation through agency projects and programs; and
- The effectiveness of plan implementation in achieving the overall management intent of the plan, as reflected in the direction of the LRMP Table. If the desired outcomes of the LRMP are not being achieved, it may be necessary to consider revisions or amendments to the plan.

Given that Synergy Management Group Ltd. was not actively involved with the work of the LRMP table, it is not possible to assemble a monitoring plan that would reflect the desires of the Table.

The following are suggestions to determine the overall monitoring of the plan:

- Form a committee to oversee all opportunities – either individual committees for each sector or one holistic committee for economic development in general
- Set parameters around the expectations for each opportunity
- Incorporate a standard economic model to establish whether change in the region is being experienced as positive or negative<sup>88</sup>

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<sup>87</sup> Extracted from Prince Rupert Economic Development Commission's technical work, June, 2003

<sup>88</sup> Viable Option = Economic Monitoring Model developed by Synergy Management Group Ltd.



### 14.0 Funding Sources

In the development of this economic development Report, the need for a section on funding sources became apparent.

There exists an extensive and lengthy (well over 100 pages) ‘Community Economic Development’ database of public and private funding sources that could prove a most useful resource. It is presented as a separate document to this Synergy Report.

**Aside from identifying specific funding sources, there are a number of funding structures / vehicles that are worth exploring as a resource to implementing economic opportunities. They are presented below.**<sup>89</sup>

<b><i>Financing Program</i></b>	<b><i>Description</i></b>
<b><i>Barter/Work Exchange Networks</i></b>	<p>Often referred to as LETS systems (local employment trading system) – members can sell products or services for credit. These credits are banked and members can use them to pay for goods and services from each other. A nominal membership fee is usually charged to cover expenses and overhead costs. Members make up the committees and overall operation of the system. Keeps local energy local, rather than pouring out of the community.</p> <p>Benefits</p> <p>Can allow a business to gain exposure and build a reputation and provide for its needs in regards to services and products.</p> <p>Barter transactions online are less expensive because it takes out the middleman.</p> <p>Cost Effective for small businesses.</p> <p>Challenges</p> <p>A disreputable barter network can be bad for business.</p> <p>Barter Networks can go bankrupt and a business can lose its trade credits.</p>
<b><i>Bonds and Trusts</i></b>	<p>A community bond or trust is an initiative set up by several Provinces whereby the provincial government will guarantee the principal on funds put up by residents for local small businesses and CED projects.</p>

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<sup>89</sup> Source is “Synergy Management Group Community Economic Development Handbook”, 2002



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<b>Financing Program</b>	<b>Description</b>
<b><i>CED Credit Union (CDCU)</i></b>	Local community-based institutions whose mission involves lending in low income communities. Must attract most of their capital from the local community and do all of their lending within set community boundaries. Have developed innovative loan programs and made loans to community-based organizations and coalitions to enhance their development work in the community. Provide: basic banking services, credit flexibility, small loans, loans to women and minorities, providing second chances, utilizing resources of middle-income individuals, immediate reinvestment in the community.
<b><i>Community Development Loan Funds (CDLF)</i></b>	<p>These are locally based and locally capitalized private non-profit sources for credit for community projects, generally affordable housing, but also for activities that will employ local residents. A CDLF in a rural area will be designed to serve a region much bigger than its immediate locale. The core operation of the CDLF is to re-lend the capital that has been specifically loaned to it by mostly private sources to tackle some of the capital needs of community projects. The capital is loaned, given or granted, on terms that permit the CDLF to make loans to projects that cannot qualify for traditional financing and/or cannot repay the loan on traditional terms. Borrowers pay about 2 – 3% more than the interest that the CDLF has to pay its lenders; the spread meets the transaction or administrative costs of making the loans. However, even with this spread and with concessionary capitalization, CDLF's cannot meet administrative expenses without subsidies.</p> <p><b><i>Benefits</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Operate without the government regulations with which banks or credit unions must comply.</i></li> <li>➤ <i>Serve community clients that are not served by conventional financial institutions.</i></li> <li>➤ <i>Do not have to earn profits for shareholders.</i></li> <li>➤ <i>Policies geared to sustainability and community service.</i></li> </ul> <p><b><i>Challenges</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Prudent management that will sustain the CDLF.</i></li> <li>➤ <i>Finding a way to cover transaction costs of their loans requiring subsidies or greater scale of operations.</i></li> <li>➤ <i>Matching the terms and conditions of the loans for their capital with the terms for what is being handed out.</i></li> </ul> <p><b><i>Practical Steps</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Financiers must share a consensus with organizers on what are critical community credit needs.</i></li> </ul>



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<b>Financing Program</b>	<b>Description</b>
	<ul style="list-style-type: none"> <li>➤ <i>Organizers will have to develop a business plan based on realistic assumptions of subsidies for transaction costs at varying levels of operation.</i></li> <li>➤ <i>As well as initial community representatives, board and loan review committee members should be recruited from those who are supplying capital and those who have technical skills to manage a fund.</i></li> </ul>
<b>Community Foundations</b>	<p>This is a collection of large and small charitable gifts which are pooled and invested and the investment income is distributed as grants to local charitable organizations. The sources of the endowment are usually local wealthy individuals and families or local businesses. However, municipalities or other government agencies may supplement the private fund; unions, corporations or banks with local branches are additional sources. The endowments are restricted to support projects in a specified community or region. The capital is never touched and continues to grow with each new gift. Registered with Revenue Canada as tax-exempt public foundations, they are accountable to the community for use.</p> <p>The financial function of a CF may be supplemented by its sponsorship of conferences or other meetings on community issues, publications and community leadership training opportunities. It might also provide technical assistance to community groups. A board of volunteers can run it; however a CF will grow faster if there is a least one full time person devoted to its development.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>➤ <i>Offers a ready opportunity to people to give back to their community.</i></li> <li>➤ <i>May be powerful as a source of initial or seed funding to allow projects to attract other financing.</i></li> <li>➤ <i>Centre of community leadership in meeting community needs.</i></li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>➤ <i>Slow and difficult to amass reasonable grants on any scale.</i></li> <li>➤ <i>Must be seen as a community-wide enterprise and not belonging to one group.</i></li> <li>➤ <i>High degree of transparency.</i></li> </ul> <p><b>Practical Steps</b></p> <ul style="list-style-type: none"> <li>➤ <i>Construct a plan that lays out legal status and goals of organization.</i></li> <li>➤ <i>Assemble a preliminary board to encourage and guide fund raising.</i></li> <li>➤ <i>Engage the assistance of one or more other community foundations as mentors.</i></li> <li>➤ <i>Identify donors and approach them.</i></li> </ul>



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<b><i>Financing Program</i></b>	<b><i>Description</i></b>
<b><i>Community Investment Funds (CIFs)</i></b>	<p>Community directed investment including Community Investment Funds (CIFs) and Socially Responsible Mutual Funds are ways that individual investment can be harnessed to support micro-enterprise and SMEs. Both are in their early stages of development. CIFs closely resemble market mechanisms for private enterprise. Provincial legislation makes CIFs comparable to other investments. (It is unknown whether BC has provincial legislation for CIFs) Private investment is a large, virtually untapped resource for community economic development.</p> <p><b><i>Benefits</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Social advantages to investing in your own community.</i></li> <li>➤ <i>Provincial legislation makes CIFs comparable to other investments if the Province has them.</i></li> <li>➤ <i>CIFs allow a community to nurture riskier ventures and young industry.</i></li> </ul> <p><b><i>Challenges</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>When trying to attract investors to a CIF rate of return, risk and projected growth are important as the ethical argument will only go so far when investors are trying to increase retirement savings.</i></li> <li>➤ <i>Without RRSP eligibility and tax credits as an incentive, a 5% rate of return would probably not attract much interest beyond those who invest purely for social reasons.</i></li> </ul>
<b><i>Community Revolving Loan Fund (CRLF)</i></b>	<p>All loan funds can be termed revolving loan funds as the amounts loaned out come back to the fund to be lent out again. However, for communities seeking a steady supply of financing for local businesses, emphasis is on the revolving aspect, ruling out the idea of drawing off any earnings for the operation of the fund. The feature that distinguishes the CRLF from CDLF's is the fact that the capital is not returned to a funder, whereas in a CDLF, the capital is generally repayable (usually under concessionary terms).</p> <p>It may start with just a general intent to finance local businesses or with a single focus (e.g. forestry-related businesses only). It can expand to create one or more specialized funds and can also contract to administer specialized funds for government or private industry.</p> <p>Unless the CRLF has a portfolio of around \$3,000,000 it will require subsidies for operating expenses. Earnings are expected to cover any losses so that the fund can continue operations. However, if earnings are not expected to cover administrative costs, then the loan fund's sponsor usually underwrites those costs.</p>



## Economic Development Action Plan

<b>Financing Program</b>	<b>Description</b>
	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>➤ Community maintains a source of funding targeted to local business.</li> <li>➤ Terms and eligibility criteria can be adjusted to local needs as opposed to traditional requirements.</li> <li>➤ Funds do not have to conform to legal regulations that banks etc. must.</li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>➤ Balancing its own sustainability with mission to fill the community's financing gap.</li> <li>➤ If a CRLF manages to achieve the same loan/loss ratios as ordinary banks, is it actually filling finance gaps, or is it making loans that would be made by any bank?</li> <li>➤ Freestanding CRLF's face greater challenges than those associated with an effective community economic development organization.</li> </ul> <p><b>Practical Steps</b></p> <ul style="list-style-type: none"> <li>➤ CRLF sponsors must determine the developmental mission for the projected fund. Sponsors must have a clear idea of the lending gaps in the community and then decide which of these gaps to fill. Some sources of capital may have conditions on providing the capital, e.g. to only serve micro entrepreneurs.</li> <li>➤ Having matched capital to the general policy framework, lead officers must be recruited to carry out feasibility studies and prepare a business plan for the CRLF.</li> </ul>
<b>Community-Owned Venture Development</b>	<p>This is a strategy wherein a CEDO creates its own wholly-owned business and thereby needs to go through the full process of launching a business.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>➤ CEDO can push the creation of local jobs by itself starting a business.</li> <li>➤ Does not have to rely upon businesses operated by private individuals.</li> <li>➤ Can earn revenues for the CEDO.</li> <li>➤ Favourable visibility in the community.</li> <li>➤ Favourable status for relations with funding institutions on other projects.</li> <li>➤ Can represent diversification for the community, tax base enhancement and increase the range of price and quality in the local supply of goods and services.</li> <li>➤ Stimulate private investors into their own ventures or expansions.</li> <li>➤ Business can be started and run in accordance with local values and needs.</li> </ul>



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## Economic Development Action Plan

<b>Financing Program</b>	<b>Description</b>
	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>➤ <i>Assuring sustainability – generating surpluses (profits) that can keep the business viable.</i></li> <li>➤ <i>Must justify itself in the private market as being comparable to any other business.</i></li> <li>➤ <i>Sometimes, community-owned businesses are perceived as unfair competition due to government concessions etc.</i></li> </ul> <p><b>Practical Steps</b></p> <ul style="list-style-type: none"> <li>➤ <i>Must establish selection criteria; considerations for a particular venture include degree of risk, capital required, creation of jobs, relation to existing local industry.</i></li> <li>➤ <i>Once selected, the responsibility for developing the business should fall to one individual, not a committee (committees do not make good business developers).</i></li> <li>➤ <i>Feasibility process, followed by full scale business plan.</i></li> <li>➤ <i>Solicit others for financial participation.</i></li> </ul>
<b>Equity Investment Fund</b>	<p>The equity fund model has investors buying shares in an investment fund, which in turn, guarantees money in loans made to enterprises by traditional financial institutions (usually a credit union or a bank). The security offered by the fund is similar to that given by a loan cosignatory. In the case of a default on the loan, the fund, not necessarily the investor, assumes responsibility and makes repayments to the financial institution. The funds pool invests capital in Treasury Bills or corporate bonds and accumulated interest is used to pay dividends to investors and cover any defaulted loans.</p>
<b>Equity Match Making</b>	<p>This strategy provides a range of substantial investments, starting at \$100,000, in local firms by finding possible equity sources. The community economic development organization (CEDO) can be an advocate for a venture with potential investors and take part in preparing the firm to offer a ready opportunity for investment. Investors are found through banks and regional capital companies, and also through contacts with potential private investors in the region. Institutions may wait until a community-based private investor is involved.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>➤ <i>Most local companies and entrepreneurs have little capacity on their own to market themselves and contact potential investors.</i></li> <li>➤ <i>Involvement from a community economic development organization can significantly strengthen the local economy.</i></li> </ul>



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<b>Financing Program</b>	<b>Description</b>
	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>➤ <i>Appropriate for major investments and therefore requires detailed analysis and presentation of the opportunity.</i></li> <li>➤ <i>Reluctance on the part of the companies to do the work that is required and recognize adjustments that must be made to obtain outside investment.</i></li> <li>➤ <i>Hardest part may be working with the venture, not in finding potential investors.</i></li> </ul> <p><b>Practical steps</b></p> <ul style="list-style-type: none"> <li>➤ <i>There are about 20 formal community equity match making organizations in Canada. A community organization may be able to work through these rather than establishing its own program.</i></li> <li>➤ <i>In B.C., there are two CCIP's – Venture BC (250) 860-9515 and VIATEC (250) 953-6690.</i></li> </ul>
<b>Joint Venture</b>	<p>In a joint venture, each party brings an advantage other than just an infusion of money, such as access to natural resources, political influence or experience in a specific field. When a CEDO enters a joint venture, their contribution is special access to the community's resources and credibility, as well a share of capital if available.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>➤ <i>CEDO participates in income stream from the business.</i></li> <li>➤ <i>Community benefits include jobs, access to new skills, prestige as business partner in major venture.</i></li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>➤ <i>Finding, choosing and qualifying the right partner.</i></li> <li>➤ <i>Negotiating the deal will require advice.</i></li> <li>➤ <i>Monitoring the performance of the business.</i></li> <li>➤ <i>Trusting the partner.</i></li> </ul> <p><b>Practical Steps</b></p> <ul style="list-style-type: none"> <li>➤ <i>Look at the business simply as a business – will it make money, is it feasible etc.?</i></li> <li>➤ <i>Check out the partner.</i></li> <li>➤ <i>Budget the research and negotiating costs.</i></li> <li>➤ <i>Seek competent legal and negotiating help.</i></li> <li>➤ <i>Form a community back-up team to work with negotiators and lawyers.</i></li> </ul>



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<b>Financing Program</b>	<b>Description</b>
<b>Loan Guarantee Fund</b>	<p>These funds accept either deposits or equity share investments. Capital is used to secure or guarantee loans made to enterprises by traditional financial institutions. The security is similar to that given by a loan cosignatory. In the case of default, the fund, not necessarily the investor assumes responsibility and makes repayments to the institution.</p> <p>Instead of actually lending money to local ventures, the community economic development organization will recommend that a loan be made by a lending institution and guarantee its repayment, thereby removing the risk of the loan. The guarantee is secured by a deposit by the CEDO, who all of the preliminary works in qualifying the borrower and the venture.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>➤ <i>Reliable people can get loans they may not have been able to otherwise.</i></li> <li>➤ <i>CEDO is relieved of bookkeeping and other responsibilities of administering the loan.</i></li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>➤ <i>Would-be borrowers may not be fully prepared to do a good job in their own business and need a lot of technical assistance and training in setting up or re-structuring their venture to be creditworthy.</i></li> <li>➤ <i>CEDO has to manage the extra services required for qualifying entrepreneurs.</i></li> </ul> <p><b>Practical Steps</b></p> <ul style="list-style-type: none"> <li>➤ <i>Garner the dollars to be placed on deposit for guarantee purposes.</i></li> <li>➤ <i>Establish guidelines and procedures for qualification.</i></li> <li>➤ <i>Approach lender to negotiate relationship.</i></li> <li>➤ <i>Having applications accepted for loans.</i></li> </ul>
<b>Local Currencies</b>	<p>This is a local cash equivalent bartering note that is accepted and exchanged among participating individuals and businesses.</p>
<b>Micro enterprise Loan Fund</b>	<p>This business lending technique is targeted to the smallest ventures (micro enterprises), requiring very modest amounts of capital (say, from \$500 up to \$5,000). CEDOs in their concern for this significant business sector, especially in rural and small town settings but also in innercity neighbourhoods, will address the financing gap by instituting their own loan fund program for these businesses. Lending to micro-ventures requires a support system of technical preparation and counsel all along the way.</p>



<i><b>Financing Program</b></i>	<i><b>Description</b></i>
	<p><i><b>Benefits</b></i></p> <ul style="list-style-type: none"> <li>➤ Key to strengthening what is a foundation stone for the economy of a small community.</li> <li>➤ Essential in the smaller communities to fulfil a meaningful commitment by the CEDO to job creation.</li> </ul> <p><i><b>Challenges</b></i></p> <ul style="list-style-type: none"> <li>➤ The capital needed for lending.</li> <li>➤ Careful construction of a support system to accompany the credit.</li> <li>➤ Finding and keeping staff who know how to do a job that combines skilful assessment of business prospects as well as sophisticated and understanding human relations approach to technical support.</li> </ul> <p><i><b>Practical Steps</b></i></p> <ul style="list-style-type: none"> <li>➤ As with any financing program, the CEDO needs initially to specify rather precisely what sorts of ventures and entrepreneurs it is targeting.</li> <li>➤ These choices may determine the sources of capital that will be accessible. At any rate, the CEDO must then begin the process of assembling the capital, or at least systematically assessing the likelihood that sufficient capital will be available.</li> <li>➤ The loan program should be conceived in the same terms as a social enterprise/non-profit enterprise. That is, it may not be expected to turn a surplus, but it must be structured so as to budget for needed subsidies to make it sustainable. In short, the loan fund ought to have the same stringent business plan and search for appropriate leadership that must mark any CEDO business venture.</li> <li>➤ As a project of the CEDO, an evaluation plan should be instituted to deal with the nonfinancial as well as financial outcomes of the program.</li> </ul>



<b><i>Financing Program</i></b>	<b><i>Description</i></b>
<b><i>Program Related Investments</i></b>	<p><b>Program-related investments are made by churches, foundations, corporations, and other organizations, which offer equity or credit for projects that are specifically relevant to what the institutions are engaged in.</b></p> <p>Program-related investments contrast with gifts and grants made for the same purposes. The investments are <i>intended</i> to produce a financial return and to be repaid or perhaps eventually divested, according to the terms of the original investment agreement. It is not a familiar technique in Canada.</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>➤ <i>Program-related investments provide funds that would not otherwise be available for the CEDO's projects.</i></li> </ul> <p>Challenges</p> <ul style="list-style-type: none"> <li>➤ <i>Because the tool is unfamiliar in Canada, a CEDO may have to orient a target investor to the potential of a program-related investment, pointing out that the money would not only earn an income but ultimately return to the investor.</i></li> </ul> <p>Practical Steps</p> <ul style="list-style-type: none"> <li>➤ <i>Design the project so that it is soundly conceived and well-operated to produce the expected return.</i></li> </ul>
<b><i>Peer Lending</i></b>	<p>Works fundamentally by redefining credit to mean trust between groups of people. This model begins with a borrowing group of four to seven members, each with their own business, who analyze each other's loan applications. Borrowers are not legally responsible for each other's loans, but if anyone is delinquent, no-one else can receive any further loans until they are back on schedule. Peer lending is most beneficial in cases where the credit needs of participants are small and sporadic or when the credit histories of borrowers are spotty or non-existent. Revolving loans are normally used in conjunction with peer lending groups.</p> <p>Mobilizing citizen participation is a key strategy for a successful community economic development program. This is not a simple task, and the following principles provide the basis for developing participation among community members:</p> <ul style="list-style-type: none"> <li>➤ <i>Advertising for people to attend a meeting is not sufficient; the "right" person must ask them one-on-one.</i></li> </ul>



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<b>Financing Program</b>	<b>Description</b>
	<ul style="list-style-type: none"> <li>➤ <i>Actual accomplishments are more satisfying for more people than just sitting on boards.</i></li> <li>➤ <i>It must be demonstrated that community economic development affects day-to-day life for all citizens.</i></li> <li>➤ <i>People like to be involved in something in which they already have knowledge or experience; pairing qualified individuals with appropriate tasks makes sense.</i></li> <li>➤ <i>Meetings must be organized in a way that takes into consideration peoples' time and energy. Barriers such as transportation and childcare have to be addressed.</i></li> </ul> <p><b>Benefits</b> This is an ambitious undertaking and requires large amounts of effort, and effort which must be widely shared to avoid "burn-out" and subsequent disinterest. The wider the participation, the greater the enthusiasm, skill and knowledge that will be generated.</p> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>➤ <i>Sponsoring organization must be well focused.</i></li> <li>➤ <i>The early stage CEDO must go beyond general ideas of local improvement.</i></li> <li>➤ <i>Allowing community members a chance to voice their own ideas.</i></li> <li>➤ <i>Balancing specificity and openness to other ideas.</i></li> </ul> <p><b>Practical Steps</b></p> <ul style="list-style-type: none"> <li>➤ <i>Round up articulate, persuasive people who have a strong network to draw upon and involve.</i></li> <li>➤ <i>Each key person must approach his or her contacts individually.</i></li> <li>➤ <i>Recruit appropriately for each task.</i></li> <li>➤ <i>Set up meetings with clear and achievable agendas to fit participants' schedules.</i></li> <li>➤ <i>Establish orientation and training programs for volunteers.</i></li> <li>➤ <i>Acknowledge volunteer efforts publicly – this will encourage others to join in.</i></li> </ul>
<b>Privately-Held Loan Funds</b>	<p>In an effort to develop their small business sectors, some community groups have established privately-held business loan funds. Many focus on providing credit to marginalized groups such as recent immigrants, minorities, women and low income Canadians. These organizations may raise their funds through private and public sources, relying heavily on volunteer labor and in-kind donations by financial institutions. Credit Unions have been a traditional source</p>



<b><i>Financing Program</i></b>	<b><i>Description</i></b>
	<p>for loan administration. Training, networking and mentorship are often a secondary component of the lending program.</p> <p><b><i>Benefits</i></b> May be more flexible in terms of collateral, credit histories and minimum lending requirements.</p> <p><b><i>Challenges</i></b> Organizations often have very little lending ability. Targeted approach to lending excludes many worthwhile businesses because the owner(s) do not fall within the target group, i.e. women, minorities, etc.</p>
<b><i>Royalty Based Financing</i></b>	<p><b>A CEDO receives investor financing for a venture from which the return is paid back through royalties (a percentage of each sale or of overall sales receipts) over whatever period of years is needed to provide the agreed-upon pay-back to the investor. This contractual relationship can finance either starting a company or expanding one. Royalty based financing is appropriate for a venture that has considerable promise for long-term success and a high margin per sale, but does not entail an expectation of fast growth or large scale expansion - features usually required for conventional venture capital. For the investor, the deal would conventionally be structured as a note secured only by a claim against sales receipts until the agreed-upon multiple was reached.</b></p> <p><b><i>Benefits</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>No loss of ownership rights. The venture does not have to begin to pay back until it is selling successfully.</i></li> </ul> <p><b><i>Challenges</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Finding a friendly capital source that is familiar with this technique may be the most difficult task.</i></li> <li>➤ <i>This technique is appropriate only for products/services with a high profit margin.</i></li> </ul> <p><b><i>Practical Steps</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>No particular specialized steps for this sort of financing agreement.</i></li> <li>➤ <i>It will entail the same sort of negotiations as any investment agreement.</i></li> </ul>
<b><i>Worker Ownership</i></b>	<p>This is a term applied to a business owned in whole or part by most or all of its employees, either through a share corporation or co-operative structure. This</p>



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<b><i>Financing Program</i></b>	<b><i>Description</i></b>
<b><i>for New Venture</i></b>	<p>strategy can be used to achieve either local job retention by saving a venture that might otherwise disappear or for new local jobs.</p> <p><b><i>Benefits</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Local job expansion.</i></li> <li>➤ <i>Enlists commitment and energy of employees resulting in improved financial performance.</i></li> <li>➤ <i>Federal and provincial tax benefits accessible.</i></li> </ul> <p><b><i>Challenges</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Places a premium on the skill and capacity of the workers re: management decisions.</i></li> <li>➤ <i>Initial training of organizing group of workers re: management.</i></li> <li>➤ <i>Ongoing training.</i></li> <li>➤ <i>Co-op structure does not qualify owners for capital gains exemption that ordinary shareholders get.</i></li> </ul> <p><b><i>Practical Steps</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Recruit and assemble the group who want to consider this idea.</i></li> <li>➤ <i>Make decision as to industry and which structure (share corporation or co-operative) fits the group.</i></li> <li>➤ <i>Select technical assistance in start-up and training.</i></li> <li>➤ <i>Undertake feasibility studies and business planning.</i></li> <li>➤ <i>Survey potential sources of financial support.</i></li> </ul>